

C 1917

CONTENTS

INDEXED

THE ROUND TABLE

A QUARTERLY REVIEW OF
THE POLITICS OF THE BRITISH EMPIRE

CONTENTS

V.
1917
SEA
RD

The Making of Peace :

The Overthrow of Militarism—The Dominions, and the Settlement

The Growing Necessity for Constitutional Reform :

Inter-Imperial Relations—The Parliament Act—The Congestion of Parliament—The Urgency of Reform

Industry and Finance :

The Higher Direction of British Industry—The German Banking System—English and German Banking Compared—The Financing of Industry after the War

Labour and Reconstruction :

Industrial Unrest—The Labour Point of View—The Trade Union Congress—The Problem of Reconstruction—The Commonwealth of Industry

The Native States in India

United Kingdom :

The Irish Debate—Ireland since the Rebellion

Canada :

The Prime Minister's Appeal—Politics in Canada—The Triumph of Prohibition—Canada and the Empire—Finance and Industry

Australia :

Mr. Hughes's Policy—Industrial Unrest in Australia—Recent Liquor Legislation—The Commonwealth Mercantile Fleet

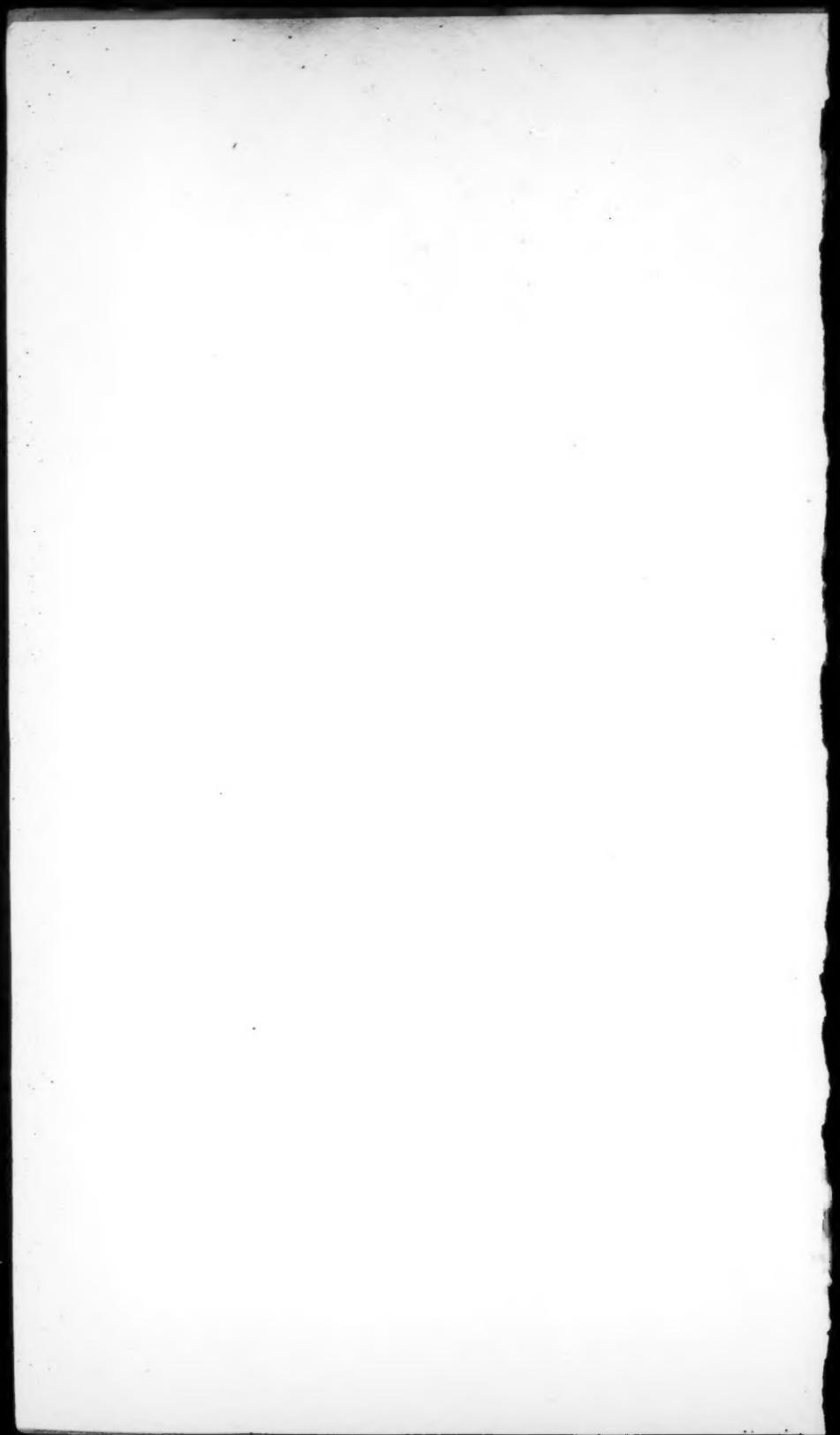
South Africa :

Political Controversies—The Coloured Corps and Recruiting

New Zealand :

The People and the War—Parliament and Finance—Compulsory Military Service—Inter-Imperial Relations

DECEMBER · MCMXVI Price 2/6 N° 25



9
007317

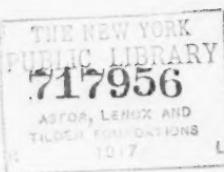
THE ROUND TABLE

A QUARTERLY REVIEW OF THE
POLITICS OF THE BRITISH EMPIRE

NEW YORK
PUBLISHED
LONDON

Volume VII

DECEMBER 1916 TO SEPTEMBER 1917



C
Dec 24 1917

THE ROUND TABLE

A QUARTERLY REVIEW OF
THE POLITICS OF THE BRITISH EMPIRE

CONTENTS

	page
The Making of Peace	1
<i>The Overthrow of Militarism—The Dominions and the Settlement</i>	
The Growing Necessity for Constitutional Reform	14
<i>Inter-Imperial Relations—The Parliament Act—The Congestion of Parliament—The Urgency of Reform</i>	
Industry and Finance	31
<i>The Higher Direction of British Industry—The German Banking System—English and German Banking Compared—The Financing of Industry after the War</i>	
Labour and Reconstruction	67
<i>Industrial Unrest—The Labour Point of View—The Trade Union Congress—The Problem of Reconstruction—The Commonwealth of Industry</i>	
The Native States in India	91
United Kingdom	114
<i>The Irish Debate—Ireland since the Rebellion</i>	
Canada	135
<i>The Prime Minister's Appeal—Politics in Canada—The Triumph of Prohibition—Canada and the Empire—Finance and Industry</i>	
Australia	158
<i>Mr. Hughes's Policy—Industrial Unrest in Australia—Recent Liquor Legislation—The Commonwealth Merchantile Fleet</i>	
South Africa	177
<i>Political Controversies—The Coloured Corps and Recruiting</i>	
New Zealand	185
<i>The People and the War—Parliament and Finance—Compulsory Military Service—Inter-Imperial Relations</i>	

Nº 25. Price 2/6 DECEMBER · MCMXVI

London : MACMILLAN & CO., LTD.

NOTE

THE ROUND TABLE

THE ROUND TABLE is a Quarterly review of the politics of the British Empire conducted in a strictly non-party political spirit. It seeks to promote the unity of the British Empire by presenting every quarter an accurate and non-partisan account of the polities of all parts, together with articles dealing with foreign and inter-Imperial problems from the Imperial point of view.

THE ROUND TABLE can be obtained through any bookseller or through any of the following:

UNITED KINGDOM: Messrs Macmillan & Co., Ltd., St Martin's Street, W.C.

CANADA: The Macmillan Co., of Canada, 70 Bond Street, Toronto.

AUSTRALIA: Messrs Macmillan & Co., Ltd., 109 Russell Street, Melbourne.

SOUTH AFRICA: J. Tyndall, Esq., 29 Sauers Buildings, Johannesburg.

NEW ZEALAND: A. R. Atkinson, Esq., 142 Featherston Street, Wellington.

INDIA: Messrs Macmillan & Co., Ltd., Bombay, Calcutta, and Madras.

EGYPT: Cairo Express Agency, near Shepheards Hotel, Cairo.

CHINA, JAPAN AND STRAITS SETTLEMENTS: Messrs Kelly & Walsh, Shanghai, Hong-Kong, Yokohama, Singapore.

UNITED STATES: The Macmillan Co., 64-66 Fifth Avenue, New York.

THE MAKING OF PEACE

I. THE OVERTHROW OF MILITARISM

THE recent speeches of Mr. Asquith and Viscount Grey, following the interview with Mr. Lloyd George, have served a double purpose. They have reaffirmed the determination of the people of the British Empire to go on with the war until the aims with which they entered it are won. And they have made it clear that in the judgment of the responsible Ministers the day when we can consider peace has not yet come, and is not even near. In making these declarations Ministers unquestionably represent the opinion of the overwhelming majority of the self-governing population of the Empire. So far as we can see we are not yet within measurable distance of achieving the purpose for which we entered the war.

That purpose was defined by Mr. Asquith on November 9, 1914, in the following terms :

We shall never sheathe the sword which we have not lightly drawn until Belgium recovers in full measure all and more than all that she has sacrificed, until France is adequately secured against the menace of aggression, until the rights of the smaller nationalities of Europe are placed upon an unassailable foundation, and until the military domination of Prussia is wholly and finally destroyed.

To these terms, on February 23, 1916, he added Serbia. And on April 10, 1916, he interpreted the meaning of the last clause. After declaring that "Great Britain, and France also, entered the war not to strangle Germany, not

The Making of Peace

to wipe her off the map of Europe, not to destroy or mutilate her national life, certainly not to interfere with (to use the Chancellor's expression) 'the free exercise of her peaceful endeavours,'" but "to prevent Germany (which for this purpose means Prussia) from establishing a position of military menace and dominance over her neighbours," he went on to say :

As a result of the war we intend to establish the principle that international problems must be handled by free negotiation on equal terms between free peoples, and that this settlement shall no longer be hampered and swayed by the overwhelming dictation of a government controlled by a military caste. That is what I mean by the destruction of the military domination of Prussia : nothing more, but nothing less.

These declarations received endorsement from all quarters. Indeed, if one were to seek for the shortest formula in which to express the feeling of the average citizen about the object for which he is fighting the war, it would probably be found in the words "never again." The ordinary man does not and cannot know much about the intricate high politics of Europe, but he is acutely conscious that there has grown up in Central Europe a body of militarist doctrine which will overthrow morality and civilisation unless it is itself discredited and destroyed. Fundamentally, militarism is the belief in physical force, and not justice, as the final arbiter in human affairs, and it is this belief which has captured the Germanic peoples, which is the root cause of all the trouble. It is incarnate in a constitution which is frankly based upon the theory that the stability of the State depends upon the hereditary ruling classes having absolute and autocratic powers over their subjects. It has resulted in a foreign policy which sees in war or the threat of war the only solution of international problems. And it has led not only to the blind obedience of the German people to their rulers, but to their acquiescence in the perpetration of almost any barbarity which can terrify or coerce other

The Overthrow of Militarism

nations into surrendering their liberty by complying with the dictation of the Germanic will. So long as this belief survives as the dominant doctrine of any great State, the world can never be safe from war, and can never progress towards international concord and peace. Hence the grim unanimity of all classes to see the war through. For practically everybody recognises that, whatever steps might have been taken before the war to prevent the cataclysm from breaking out, there is only one thing to do now, and that is to defeat at the appalling sacrifice of war the attempt of the German Empire to seize control of the destinies of the people of Europe by the sword.

But if there is unanimity about the necessity for continuing the war, there is no unanimity of opinion as to when it will be won. There is every variety of opinion from the pacifists who believe that Germany is so chastened already that we can afford to consider terms, to the jingoes who declare that there can be no peace until the Hohenzollerns have been dethroned and Germany has been so tied up by political and military and economic bonds that she will perforce be innocuous for evermore. The great mass of people are frankly in doubt. All they are convinced of is that the time for peace-making has not come yet.

This doubt arises largely from the difficulty of distinguishing between the two halves of the problem of peacemaking, the first half that of winning the war by achieving the purpose for which we entered it, and the second half that of providing adequate securities for the settlement, and for peace, after that purpose has been attained. It is, of course, as impossible to foresee the time or the exact conditions of peace as it was to foresee the time or the occasion of the war. But it is not impossible to see the principle which should guide us in peace negotiations. The one thing we must not do is to trust to the calculations of expediency. For expediency, like fear, is the most short-sighted of counsellors. It depends upon the power of human beings to foresee the future—a thing which all history proves that they

The Making of Peace

are incapable of doing. If we begin to base our peace terms upon calculations as to the future balance of forces in Europe, or upon this grouping or that, we shall simply be doing what the German Government has always done, and with the same results. We shall fail, and we shall therefore, as they have been, be continually driven back on a new expansion of our own armaments as the only alternative when our carefully contrived combinations break down. It was adherence to principle which took us honourably into the war. It will be adherence to that same principle which will take us honourably and safely out of it again.

It is sometimes said that we entered the war through enlightened self-interest. Such a view will not bear the test of an examination of the facts, save in the sense that it always pays to do right. Because honesty is the best policy, it is absurd to regard every honest man as a calculating schemer. The immediate causes of our entering the war were a tacit obligation to assist France against German aggression, and a legal obligation to defend the neutrality of Belgium. And these obligations were entered into as the best available means of protecting our own security and the liberty of Europe. The treaty of neutralisation of Belgium was the outcome of the system of public law originally drawn up by the Congress of Vienna. How sound a safeguard it was has been proved by subsequent events, for so long as the neutralisation of Belgium was intact it was impossible for France or Germany to dominate the Continent, and when Germany set out to grasp supreme power she found herself driven to violate Belgian neutrality, and so bring the British Empire into the war and lose the moral sympathy of the civilised world. If enough nations had realised the significance of the neutralisation of Belgium and had been sufficiently prepared to vindicate it, the war would never have taken place. Similarly with the obligation to France. The Triple Entente came into being as the outcome of accumulated evidence, also justified by events, that

The Overthrow of Militarism

Germany intended to overturn the last obstacles to the supremacy of her will in Europe, and for this purpose was determined to crush France finally to the ground, a proceeding which we considered it our duty as well as our interest to prevent.

Thus, when it came to the crisis, we found that we had no option but to enter the war, because in no other way could we fulfil obligations which we had honourably entered into in order to preserve that public right which was the safeguard of liberty, both for Europe and ourselves. We cannot entertain the idea of peace negotiations, except on the basis that public right is to be restored. To consider peace terms on any other condition would be to fail of our fundamental purpose to discredit and overthrow the militarist doctrine.

Mr. Asquith put his finger on the crux of the case when he said at the Guildhall on November 9, 1916, "We are equally pledged to the reconstitution and independence of Serbia, and, so far as I am aware, no German propaganda here has even suggested that the German Government is prepared to concede anything to this demand." The war began over Serbia. And it began over Serbia because the militarist rulers of Germany and Austria-Hungary were resolved that a question which was, and always had been, a European question, inasmuch as it affected the vital interests of many great nations, was to be settled by the sword and as Germany and Austria-Hungary decreed, and without being even discussed in international conference. And further that, if their neighbours would not acquiesce in this fourth attempt to impose a settlement of a European question upon them under threat of war, they were determined to prove to them, in a successful war, that they, the tyrants of Germany and Austria-Hungary, were the tyrants of Europe too. The position is nakedly revealed in these words printed in the official German account of the negotiations which ended in the war. "Faithful to our principle," it reads, "that mediation should not extend to the

The Making of Peace

Austro-Serbian conflict, which is to be considered a purely Austro-Hungarian affair, but merely to the relation between Austria-Hungary and Russia, we continued our endeavours to bring about an understanding between these two powers." It was on this issue that the war began. On this issue it will end. For according as Germany succeeds or fails to remodel Europe according to its own will, by force of arms and in defiance of public right, will militarism itself be proved a success or a failure. On this fundamental issue of might versus right, therefore, there can be no compromise. There is room for negotiation and compromise on other points. The war is bound to change the map of the world in many important respects. The hopes of lasting peace are largely bound up with uniting races and nationalities now divided, and in this process there will be much room for give and take. But we shall be false to the principle on which we entered the war, and the cause for which we fight, if we show the slightest willingness even to discuss this new map until the Germans have agreed that the free nations which have been wantonly assailed are to be liberated and indemnified, and that the treaties which Germany set out to overthrow, and which were the guardians of right and liberty in Europe, are to be its guardians still.

But this is only one half of the problem of peace. The other half is to give the settlement stability. If "never again" is to mean anything we must create practical securities against a repetition of this war. Here also principle is the only safe guide. We shall be no less false to it if we attempt to base the stability of the peace on any mutilation or permanent coercion of Germany by political or military or economic means than if we accept a peace which does not vindicate public right. The real security for peace in the world is not force, but justice, though to be effective justice must be backed by the preparedness of a sufficient number of nations to make it useless for the would-be wrongdoer to challenge it. At bottom the

The Overthrow of Militarism

situation in the international sphere is similar to that within the state. The real security for law and order in a free state is not the policeman, but the inherent justice and liberality of its laws. Parliament does not legislate against criminals. It simply passes laws, defining the rights and duties of citizens, which the great majority willingly obey. But human nature being what it is, the policeman is also necessary in order to deal with the criminal few, who would disobey the law, and who, if the law were not enforced, would rapidly destroy the foundations on which the peace and good order of society, and the freedom of the individual, depend.

It is the same in the international sphere. The permanent safeguard for peace is not measures against particular states thought to be dangerous, but the drawing up and enforcement by all civilised nations of a code of public right defining the rights and duties of nations to one another. Germany, "the great anarchist," was able to attempt to make herself the tyrant of Europe by violence because the rest of the world had made no adequate attempt to draw up such a code, and was apparently neither willing nor prepared to defend such public right as already existed. Fortunately, she was mistaken, but she was mistaken only because the peoples of the British Empire sprang immediately into the breach in a manner which could not have been foreseen, and sent 5,000,000 men to fight for freedom. But having defeated the German purpose in the field, we shall only hinder lasting peace if we attempt to give permanent security to the settlement by attempting to deprive Germany by military means of her full freedom as a member of the comity of nations. That, indeed, would only be to swallow the militarist gospel ourselves. The true course is to depart entirely from the militarist creed by resting the permanence of peace, not on a combination of powers whose main purpose is directed against Germany, but by massing an overwhelming preponderance of force behind a new code

The Making of Peace

of public right, which shall embody the essentials of a just peace.

Thus the final overthrow of militarism is a matter not only for the Allies, but for those nations which are now neutral also. The Allies have still their part to complete. They have still to prove to Germany that liberty and justice are stronger than military might. But if militarism is to be for ever overthrown the neutrals will have to abandon the dream of selfish isolation, and undertake their share of the burdens and obligations of creating an effective security behind public right. If the permanence of the settlement is not to be founded on the military preponderance of one group of states in Europe over another, it will only be because all the great civilised powers have undertaken that if any power, however strong, attempts to overthrow the public right of the world without conference and by war or threat of war, they will immediately combine to vindicate public right by every means they can. When once the world, and especially the democratic world, has proved that not only will it not tolerate the overthrow of right by might, but is willing to combine to define, obey and enforce a code of public right, covering the whole earth, militarism will be dead, and the world will be free as it has never been free before.

That is the goal towards which the nations of the Empire are striving with unfaltering steps. It is for other nations to decide whether it is to be immediately attained.

II. THE DOMINIONS AND THE SETTLEMENT

THERE is another side to the question of peacemaking of which it is important not to lose sight. The peoples of the Dominions are playing their part in this war, because they approved of the policy of the British government in declaring war. They have placed their armies under the direction of the British government

The Dominions and the Settlement

because unity of direction is essential to the effective prosecution of the war, and because under the present constitution the British government is also the Imperial government. But at an early stage they gave notice that they expected to be fully consulted when it came to the negotiations of peace.

In doing this they were clearly right. Before the war few people in the United Kingdom and fewer still in the Dominions realised how vitally foreign policy might affect their lives. Hence the self-governing Dominions were content to leave the control of foreign policy in the hands of the British government. Nowadays nobody has a doubt that foreign policy is the most vital of all the aspects of national policy. Hence their concern about the negotiation of peace. For the settlement at the end of the war will not merely redraw the map of Europe, it will govern foreign policy and determine what the obligations and the burden of armaments of the Empire is to be for many years to come. As we have seen, it was a treaty entered into in 1839, and an obligation tacitly assumed in 1904, which finally determined that the British Empire was to enter the war without further delay on August 4, 1914. And on the nature of the settlement it will largely depend whether or not the world sinks back to the extravagant and ultimately disastrous methods of the balance of power, or the more economical and safer methods of concerted enforcement of a new code of public right. The Dominion governments, therefore, who act for the peoples of the Dominions, were clearly wise in asking to be consulted about a settlement which is bound to determine their own national obligations, and to govern their own national policies, for many years to come.

The British government has undertaken that such consultation shall take place. Speaking on April 14, 1915, Mr. Harcourt, then Colonial Secretary, quoted as follows from an official despatch which he had already sent to the Governors-General of all the Dominions :

The Making of Peace

Will you at the same time inform your Prime Minister that it is the intention of His Majesty's Government to consult him most fully, and, if possible, personally, when the time arrives to discuss possible terms of peace. And he went on: I need hardly add that His Majesty's Government intend to observe the spirit as well as the letter of this declaration, which I believe has given complete satisfaction to the Governments of the Dominions.

There is not the slightest doubt that the Imperial government intend to abide by this declaration. Yet even in making it they found themselves forced to use the words "if possible," not through any reluctance to consult the Dominion governments, but from a consideration of the practical facts of the case. Peace, like the war, when it does come, is likely to come very rapidly. After a long period of rumours and subterranean moves and counter-moves, the basis of agreement will suddenly come in sight, and all the nations will rush to clinch it, so as to put a stop to the endless death and suffering of the battle front. Yet, unless Dominion Ministers happen to be in London any attempt at consultation at the last moment is bound to be nugatory. It is almost certain that there will not be time for the Premiers to arrive from the more distant Dominions, and negotiations cannot be hung up till they arrive. It will be out of the question to explain the whole situation by wire. At a time when proposals and counter-proposals will be flying with the utmost rapidity between all the belligerents, and the situation will be changing from hour to hour, telegraphic communication will be almost useless, for cables will be out of date before replies can be received. Nor is it practical politics that the Prime Ministers, with their heavy responsibilities for their own national affairs, would come and dawdle for months in London in case peace should come. There is manifestly only one way of consulting the Dominions about the terms of peace, and that is to hold an *ad hoc* Imperial Conference before the negotiations begin, at which the Dominion Premiers can make clear their desires on those

The Dominions and the Settlement

matters of immediate concern to each Dominion, and at which the broad principles to be aimed at in the settlement and in creating securities for its permanence should be discussed and agreed. Once that has been done, the Foreign Secretary will enter upon the negotiations as the representative of the whole Empire. And that is in itself the right plan. During the peace negotiations themselves the Empire must speak with a single voice, and while it is essential that the Imperial plenipotentiaries should know the views of all parts, and if possible should have within reach for purposes of consultation representatives of all parts, it is clearly best that they should be left as free as possible from interference during the negotiations themselves.

It may be said that the visits which individual Premiers have made to London, followed perhaps by others, will be a sufficient substitute for a conference. That is certainly better than nothing, but it falls far short of a full conference of the responsible parliamentary leaders of the whole Empire, sitting round one table and discussing with the plenipotentiaries who will speak for the Empire in the peace negotiations, as to the principles which should govern their conduct. It is not a mere question of ensuring that the British Foreign Secretary should know any particular objects which this Dominion or that wishes to see embodied in the settlement from its own point of view. That could certainly be done by the personal visit of each Prime Minister. What is really important is that the peoples of the Empire as a whole should have considered how the main objects for which they are spending their blood and treasure should be secured, and that the Foreign Secretary should go into the negotiations knowing that he has them all behind him, and that in entering into obligations for the future he will have their support. And that can only be done if the principles at issue have been threshed out beforehand in a conference of representatives of all the peoples concerned.

The Making of Peace

It is not possible to be precise about the time when this conference should be held, for the time will depend upon many factors, not the least of which will be the difficulty of finding a date which suits all the Dominion Premiers. But the essential thing is that it should be held before the negotiations commence, for if it is not, it is likely to be too late for them altogether. And that means that it must be held before the autumn of next year (1917). The chances of peace this winter and spring seem to be so remote as to be negligible. But next autumn, after the results of the spring and summer offensives have become clear, it would seem likely that an attempt will be made to discover if Germany is willing to discuss peace on the allied terms.

It is difficult to overrate the importance of holding this conference from another point of view. Much of the future history of the Empire may depend upon whether the nations of which it is composed go out of the war as unitedly as they entered it and have fought side by side during it. And that unity will depend very much upon whether all the governments concerned act up to the level of their responsibilities. This is primarily a matter for the Imperial government. It has received the unstinted trust and assistance of the peoples overseas during the war. It will not fulfil its duties to those whom it represents unless it leaves nothing undone to ensure that it does really represent them when it comes to making peace. And it will only represent them if it has left no stone unturned to take them into its confidence and discuss with them, fully and collectively, its plans. Yet it is also a matter for the Dominion governments. When the time comes near there will be an inevitable tendency in official circles to postpone or avoid a conference, not because they do not wish for consultation, but because busy men loaded with heavy responsibilities naturally shrink from new burdens and from discussing the ideas upon which they are agreed, with new minds.

The Dominions and the Settlement

If there is then any hesitation it is for the Dominion governments to insist. For it is precisely that contact with new minds which is so important. Few members of a British government realise how deeply in the groove of the national ideals of the British Isles they are, and how different the problems they handle look when viewed from across the seas. They honestly do their best to consider the welfare of the whole Empire, but they cannot fail to be unduly influenced by the atmosphere of the island in which they have spent their lives. And it is far better that these differences should have been brought out and adjusted in conference beforehand than that they should emerge when it is too late, to embitter and estrange during the difficult period of repatriation and readjustment after the war. The charge which is made against British statesmen is not that they do not take infinite pains to discover the right course to follow, but that having discovered it, they do not realise that the second half of statesmanship is to consult and carry with them those who are affected by their decisions. The charge against Downing Street has seldom for a long time past been that of bad government. It has consistently been that of high-handedness. And the cure for that defect is personal contact in conference. The holding of an Imperial Conference in the first half of 1917 is indeed an elementary act of statesmanship. If the war is to go on into 1918 it will be necessary in order that the Empire may concert its measures for the new year. If peace negotiations are to be attempted it will be essential in order that the Imperial Government may enter upon them fortified by the consciousness that the whole Empire is agreed about the principles which must be made to prevail in the terms of peace.

THE GROWING NECESSITY FOR CONSTITUTIONAL REFORM

IN the last few months the conviction has grown, at any rate in the British Isles, that in many important departments of our national life we cannot go back to the grooves in which we travelled before the war. There is a steadily strengthening realisation that there must be a change in the status and powers and responsibilities of the nations of the Empire, and that there must be a more conscious development of the resources of the Empire for the benefit of all who dwell within it. The purpose of this article is to discuss the relation which exists between these ideas and our present constitution. A constitution creates the political machinery through which a community controls its life. A good constitution will give both stability and flexibility to national life. A bad one may be a continuous cause of unrest and bitterness. In this article reasons will be advanced for thinking that our constitutional machinery has grown so defective that the most important single work which lies before us is its reform; because unless it is reformed it will not only become increasingly difficult to carry on smoothly the work of government and reconstruction, but it may give rise to disputes which will be dangerous to the body politic itself.

I. INTER-IMPERIAL RELATIONS

THE first, and in some ways the most important, defect in our constitutional system is to be found in the imperial sphere. Practically everybody now recognises that the present arrangement whereby the Dominions

Inter-Imperial Relations

can be put to war without being consulted, and at the discretion of a government elected by and responsible to the people of the British Isles alone, cannot continue. This view has been frequently expressed by leading statesmen both of the Dominions and of the United Kingdom in recent months, and has found an almost universal echo in the popular mind and the public Press. It behoves us therefore to see exactly where the present system has begun to fail.

The present constitution of the Empire is defective in two respects. On the one hand the Empire must have its foreign policy—with the tremendous consequential liabilities of peace and war—determined by one authority. The control of foreign policy, of the issues of peace and war, cannot be divided among a number of different authorities. As the events of the fortnight preceding the war conclusively showed, and as the negotiation of peace will probably equally show, the essence of a sound foreign policy is often prompt action. That authority to-day, however, is the Cabinet and Parliament and people of the United Kingdom. And that means that so long as the British constitution remains as it is to-day, the Dominions, at every crisis, however perfectly they may have been consulted beforehand, will be faced in the final resort with the intolerable alternatives of acting on the instructions of a foreign minister who does not represent them, who is not responsible to them, and who in the nature of things is likely to be ignorant or forgetful of their local conditions, or of seceding from the British Empire, and ceasing to be British citizens.

On the other hand the present arrangement means that the so-called Imperial Government has no real authority over a great part of the Empire for whose safety it is responsible, and also has to depend for the revenues necessary for Imperial defence upon taxes voted by the people of the British Isles alone, supplemented by contributions in money or in kind voted by peoples oversea, whom it does not repre-

Necessity for Constitutional Reform

sent and whose Parliaments it never meets. Thus, under existing circumstances, the Imperial Government is not responsible to the people of the Empire, for they cannot change that government when they disapprove of its policy, nor are the people of the Empire responsible to the Imperial authority for obeying the laws or finding the revenues it may consider essential to the well-being of the Empire as a whole.

This system has worked hitherto, because till 1914 it had never been subjected to any serious strain, and because when the crisis did come all parts of the Empire were entirely agreed about the need for entering the war, and equally resolute in prosecuting it with the utmost vigour and determination under the general direction of the British Government. But while it has worked hitherto, and while it was probably the only system which could have worked in the transitional era before the war, it is obvious that it cannot remain unchanged indefinitely after it is over. It is neither consistent with the determination of the Dominion peoples to be fully self-governing, nor with the growing necessity for a representative authority which can handle properly the rapidly multiplying problems of the Empire.

The root of the trouble lies in the fact that the so-called Imperial Parliament is in reality the Parliament of the British Isles, and that what is in essence a national government has to discharge the functions of an Imperial Government as well. So long as this continues it is manifest that the present Imperial authority will not command the full confidence of the oversea peoples, and will not in consequence be able to discharge efficiently its difficult and increasingly important Imperial functions. This state of affairs cannot be remedied by patchwork reform. It clearly requires far-reaching constitutional change. In an article entitled *The Imperial Dilemma*, published in the last issue of THE ROUND TABLE, the conclusion was reached that the only cure was the application to the Imperial

Inter-Imperial Relations

Constitution of the federal principle, that is to say the separation of the bodies which control the domestic affairs of the United Kingdom and the common affairs of the Empire, and making the one responsible to the people of the British Isles and the other responsible to the people of the Empire. In no other way did it seem possible to reconcile national autonomy with an united self-governing Empire. The present co-operative system will work so long as the Dominions are willing to leave the final decision in Imperial and foreign policy to the British Government and to comply with its decisions themselves, and so long as the British people are able and willing to make themselves responsible for the defence of the whole Empire. But directly one of these conditions fails the co-operative system will also fail, and we shall be faced with the immediate necessity for constitutional change of the gravest kind.

Pressure towards constitutional change is also coming from another quarter of the Imperial horizon. India has recently put forward not only the demand for a larger measure of local self-government, but also for some representation in the Imperial councils. That is a demand which no one who realises the services rendered by India in this war and the internal progress in India itself can ignore. It is manifest that some means must be found whereby the views and needs of a country containing 315,000,000 inhabitants can find direct expression when fundamental questions of Imperial policy are under consideration. The way of doing this will not be easy to find, but the fact that the demand has been made, and rightly made, shows that from the point of view of India, as well as of the self-governing Empire, the constitutional system governing inter-Imperial relations "will of necessity," as Mr. Asquith said, be "brought, and brought promptly, under close and connected review," after the war, unless serious misunderstandings and difficulties are to arise.

Necessity for Constitutional Reform

II. THE PARLIAMENT ACT

THREE is another important respect in which constitutional change is required. The Parliament Act, whereby the absolute veto of the House of Lords over legislation was taken away, and whereby any act of the House of Commons passed in three consecutive sessions becomes law over the heads of the second chamber, has left the British constitution in a mutilated and a highly dangerous condition. We need not discuss whether or not the House of Lords was wise in forcing a fight on the constitutional issue, or whether or not the majority in the House of Commons was wise in the precise method it adopted to overcome the veto power of the upper House. The only fact with which we are concerned is that, as its authors are the first to admit, the Parliament Act is only a first stage in a process of reform, and that it has left the constitution itself in a state in which it is liable to involve the Empire in grave danger.

The constitution as it exists to-day is dangerous for two reasons. In the first place, it leaves not the British Isles alone but the Empire under the control of a single chamber government, with no other safeguard against revolutionary change by a temporary party majority, except that if its acts are rejected by the House of Lords there will be a delay of between two and three years before they become law. The objection, however, to single chamber government is not only that it is undemocratic because it gives a temporary party majority autocratic powers, it is even more that it acts as a direct incentive to passive resistance or even active rebellion. For where important bills are in question large minorities are tempted to resist the law on the ground that the majority has misused its powers by utilising the machinery of the State to impose upon them a change of which the community does not approve. In the second place, it undermines the independence of the House of

The Parliament Act

Commons itself, while making it less, rather than more, responsible to electoral control. This is the result of the provision delaying the final enactment of an act. For during the two and a half years which must elapse before a bill rejected by the House of Lords becomes law the bill overshadows the whole life of Parliament. Though other matters of fundamental importance are before the House, everything is subordinated to getting the main parliamentary plank, not yet law, on the Statute Book. Members are urged and induced to support the Cabinet on many matters on which they might otherwise oppose it in order not to imperil the bill, which means that the power of the party machine over the individual member is largely increased. At the same time general elections are resisted and postponed to the last possible minute, lest the bill be lost. Thus the effect of the Act has been to get rid of the veto of an hereditary and ultra-conservative second chamber, but at the price of creating a single chamber government for the British Isles and for the Empire, of constant encouragement to civil strife, and of diminishing the independence of the members of that chamber and making it even less subject to the control of the electorate than it was before.

These evils were abundantly exemplified in the history of the Home Rule Act. The question of Home Rule was taken up by the Liberal-Nationalist majority with general popular consent. But the bill as introduced aroused the most violent opposition, especially among a quarter of the people of Ireland. Now the Home Rule Bill was manifestly a most far-reaching measure of constitutional change. It proposed to separate the governments of Great Britain and Ireland, to place the Irish Protestant minority under the control of the Catholic majority, and to complicate seriously the working of the Imperial Parliament by enabling Irish members to continue to vote on Great British local affairs after the control of Irish local affairs had been transferred to an Irish Parliament. It was indeed the gravest

Necessity for Constitutional Reform

measure of constitutional change since the Union Act of 1800. Under any properly balanced constitution such a constitutional change would either have been subject to rejection by an independent second chamber, which would have compelled the party majority to compromise or lose their bill, or the final decision in regard to the proposals would have been referred in some way or other to the people themselves. In this case the minority, believing the bill to be disastrous, prepared to resist the application of the Act by force directly they saw that the Government intended to pass it into law under the Parliament Act without a reference to the electorate, with the inevitable result that the country drifted towards civil war. We are not concerned here with the rights and wrongs of the conduct of any of the parties whose action produced these results. We are concerned only to point out that this evil was produced not solely by the violence of human passion, but in great measure by the state of the constitution itself, and that, so long as the constitution remains as it is, this danger is certain to arise again whenever some fundamental measure becomes the subject of party warfare.

The principle of reform is not difficult to discern. In a democratic community the ideal constitution provides for great stability in fundamental laws and great facility for change in everyday administration and legislation. In the past the British constitution has possessed these qualities. Sovereign power was concentrated in the hands of Parliament, which could therefore act with great speed and decision when so minded. But security was provided against revolutionary change by an independent second chamber, constituted partly on the hereditary principle and partly by nomination of the government of the day, and unalterably conservative in character. This security has now been destroyed, and it is certain that it will never be restored in its old form. The alternative most usually put forward is the restoration of the veto power to a reformed second chamber. Experience, however, all over the world

The Parliament Act

shows that it is extraordinarily difficult to find any method of constituting a satisfactory second chamber with co-ordinate powers to those of the Lower House. The usual methods of doing so are nomination by the government of the day, or some form of popular election, or some combination of the two, but none of these expedients have proved really successful. The second chamber is practically never independent. It either becomes the creature of one party, in which case its decisions are not really independent, or it becomes simply another reflection of the popular will, competing for power with the lower House, but not really representing an independent point of view.

The truth of the matter would seem to be that in a modern democracy it is the electorate itself which must perform the most important duty of the old second chamber, and be alike the security against revolutionary change by temporary party majorities and the authority which must secure the peaceful acceptance by minorities of important measures of constitutional reform. This can be done in one of two ways. The constitution itself can be written down and it can be provided that the law of the constitution can be altered only with the assent of the electorate ascertained by referendum. Or if the constitution is not written it can be provided that where the upper and lower Houses cannot agree the deadlock shall be resolved by a referendum. Referendum, indeed, is the essence of the case in both methods. For, as will be seen more clearly in the next section, a general election is an almost useless method of obtaining a decision.

We need not discuss the merits of these two methods. Both of them restore a proper balance to the constitution. The first probably implies federation, for under no other circumstances is the writing down of the British constitution likely to be undertaken. The second probably implies a reform of the second chamber, but it makes that reform far easier, for the most important responsibility of the second chamber, the absolute veto

Necessity for Constitutional Reform

power, will have been transferred to the electorate, and the second chamber itself will take its proper place as an independent chamber of review, and not as a co-ordinate political authority. But whichever system prevails it is clear that if we are to avoid a renewal of the dangers which arose over the Home Rule Act we must at a very early date complete the process of reform begun by the Parliament Act.

III. THE CONGESTION OF PARLIAMENT

THREE is a third reason for constitutional reform, which is perhaps the most urgent of all, and that is the growing congestion of Parliament. This congestion takes two forms. First of all there is the inability of Parliament to deal with the sheer mass of business which comes before it. This subject was exhaustively treated in an article published in *THE ROUND TABLE* in November, 1911, and entitled "The Congestion of Business in the House of Commons." It was there shown that the House of Commons was unable under the present conditions of working to pass the legislation necessary to the good government of the country. Vital subjects urgently requiring attention were shelved for years for want of time in which to consider them. Large numbers of bills of less importance, but none the less essential to the smooth working of government, were lost every year through being squeezed out by the great measures of the session. There was a growing failure to scrutinise public expenditure, millions being voted every year without discussion of any sort or kind. Further, the Government, by requiring almost the whole of the time of Parliament for its own essential business, deprived the private member of his proper opportunities, and reduced him to a mere machine for speaking and voting for his party.

An analysis was also made of the expedients whereby

The Congestion of Parliament

the situation might be relieved. It was shown that it was practically impossible to increase the amount of parliamentary time, indeed that it was important rather to diminish it, if Ministers were to attend properly to their departmental duties and to the preparation of legislation. It was also proved that Parliament itself was fully alive to the problem, and had attempted to tackle it by various forms of closure, from the "kangaroo" to the "guillotine." But the conclusion was reached that "it had failed to find any permanent cure. The difficulties have a way of growing faster than the alleviations ; and after ten years of constant changes of procedure, it is impossible to maintain that the legislative horizon is any brighter or any clearer. The congestion is, if anything, more pronounced, and it has become tolerably clear that no mere adjustment of existing machinery can avail to relieve it."

Opinions may differ as to the extent to which party spirit and the methods of parliamentary warfare are responsible for the state of affairs, and to the mitigations of the evil which might be made by a reform of parliamentary procedure. But party spirit and party politics cannot be exorcised altogether. In every country where great reforms are in progress there are bound to be violent divergencies of opinion which will reflect themselves in Parliament. And wherever a parliamentary opposition manifests itself the present evils are bound to reappear. But even under the most favourable conditions it is pretty obvious that there is bound to be congestion of business in the House of Commons. America, with a population of 100 millions, transacts its business through one Congress and 48 State legislatures ; Canada, with a population of between seven and eight millions, through one federal Parliament and nine provincial legislatures ; Australia, with a population of five millions, through a federal Parliament and six State Parliaments ; and Germany, with a population of 66 millions, through an Imperial Government, six State Governments, and a number of lesser author-

Necessity for Constitutional Reform

ties. The British Imperial Parliament, on the other hand, not only governs the 45,000,000 people of the British Isles in every detail, but is also responsible for the foreign policy and defence of the whole Empire and for the government of India, Egypt and the Crown Colonies. Yet the scope of governmental activity, both in the national and the Imperial sphere, so far from contracting, is expanding with huge rapidity. It is manifestly impossible that the immense variety of administrative and legislative work involved should be adequately performed by one organ of government alone. It is inevitable that Ministers and members should become more and more overworked, that they should choose those matters for attention which are most forced upon their notice, that in consequence they should neglect or misunderstand those remoter Indian and Dominion interests for which they are responsible but which are not represented in Parliament, that legislation should be hurried, scamped, and above all delayed, that the work of day-to-day administration should suffer, and that the distrust of Parliament and politicians should steadily increase.

But there is another aspect of congestion which is in reality more serious than the congestion of business to be transacted, and that is the paralysis it is causing in parliamentary life, and the hopeless impediment it presents to the control of public policy by the electorate. It first of all impairs the efficiency of the Cabinet. Owing to the immense variety of subjects with which it has to deal, the Cabinet becomes too large in size, while at the same time it becomes practically impossible for the individual Minister to have any real knowledge of the majority of the subjects which come before it. This means that while each Minister finds the work of his department delayed because the Cabinet cannot find time to decide the questions he wishes to put before it, the Cabinet itself, when it does find the necessary time, is over large, and is at the mercy of the specialised knowledge of the Minister. The effect of this has become obvious during the war. But it is no less

The Congestion of Parliament

true in peace. It is exactly the same with Parliament. In his ignorance, the individual member of the majority has no option but to comply with the official view. He is subject, indeed, to a quite exceptional degree of discipline. Discipline is to some extent inseparable from any system of government. But it becomes a grave danger where it is carried to the extent which is inevitable under the constitution as it exists at present. A single party majority is responsible for such separate provinces of government as foreign affairs and defence, the government of India and the Crown Colonies, the British constitution, Irish affairs, and the whole gamut of domestic reform. Members of the majority will certainly not agree with the decisions of the Cabinet in all these spheres. They may be vehemently opposed to their policy in one of them. Yet if they show their independence by voting against it they imperil the rest of the reforms for which they have been working for years. The pressure, therefore, on the individual member to come to heel on every occasion lest he should imperil the Government on whom his main hopes depend, and put in the Opposition whose programme he detests, is tremendously strong. The multiplicity of function, therefore, while overloading and overworking the Cabinet, gives it almost autocratic powers over the House of Commons.

In the second place, the over-concentration of functions makes it extremely difficult for the electorate to exercise any effective control over public policy. General elections at present are an almost farcical method of doing so. For at election time the voter is expected to decide by means of a single vote between two sets of candidates for office, representing different points of view, and their programmes on external policy, Imperial policy, constitutional reform, and the infinite complex of social reform. In most cases it is probable that a very large number of voters would wish to vote for one party on one set of issues and for the other on another. For instance, many voters would have voted for

Necessity for Constitutional Reform

the Unionist foreign and defence policy and the Liberal home policy before the war. Yet it was impossible for them to do so. They are forced to choose which was the most important set of issues, and let the other slide. The actual choice before the voter, therefore, is little more than which set of party politicians does he wish to give a comparatively free hand to for the next five years.

The congestion of business and the over-concentration of functions in one Parliament, therefore, tends to delays, to inefficiency in government, to the overwork both of ministers and members, to party rigidity, the paralysis of the independence of the individual member, the autocracy of the Cabinet, and the diminution of the effective control by the electorate over public policy. And it causes these evils not in a national legislature but in the parliament which is ultimately responsible for the good government of over 400,000,000 souls and for the peace and safety of the whole Empire.

In this case there is only one cure, and that is the application of the principle of federation—that is to say, the division of the functions of government between different sets of Cabinets and legislatures, which will give to each the time to master and transact the business entrusted to it, and will enable both the member of Parliament and the electorate to vote separately on the various provinces of government. This is the system which has been adopted in America, in Germany, in Canada, and in Australia. It is obviously the system to which we must come in the case of the British Empire. There is indeed no other way in which the problem can be dealt with at all under a democratic system of government.

IV. THE URGENCY OF REFORM

THE preceding sections would seem to prove that the constitution of the Empire is rapidly breaking down, and that the only real cure for its many defects, if the unity

The Urgency of Reform

of the Empire is to be maintained, is the separation of the body which controls Imperial affairs from that which controls United Kingdom affairs, by the application to the Imperial constitution of some form of the federal principle. Some of the defects can be mitigated in other ways, but the federalisation of the institutions of the Empire is the only method by which all the needs of the situation can be fully met. Federation would enable all the self-governing peoples of the Empire to share equally in the responsibility for their foreign policy and would ensure that that foreign policy was subject to the control of the Imperial democracy. It would provide for the situation created by the Parliament Act, for it would involve the definition of the relative spheres of authority of the Imperial and the national legislatures, and the provision of constitutional means whereby alterations to the constitution would have behind them the assent of the electorate before they were put into effect. And it would enormously diminish, if it did not entirely remove, the evils of congestion, for it would double the machinery of government by entrusting the control of Imperial affairs and of the national affairs of the British Isles to separate bodies, and would also enable both members of Parliament and the electorate to decide at separate elections on the broad policy to be followed in each sphere.

It may seem at first sight that so profound a change in our institutions, one for which public opinion in all parts is so little prepared, and which is bound to disturb so many traditions, must necessarily be so far off that there is no need to think seriously about it at present. But the briefest consideration of the situation as it will exist at the end of the war shows that, however far off the final decision may be, the constitutional issue itself is bound to be driven into the forefront of practical politics by the facts of the situation. It may be brought to a head by events in the inter-Imperial sphere. The many questions relating to the control of the foreign policy of the Empire, the liquidation of the war itself, and the distribution of the burden of

Necessity for Constitutional Reform

Imperial defence, or of obligations incurred in the peace settlement, will all be made doubly difficult because there is no true Imperial government to deal with them. The so-called Imperial government is really the national government of the British Isles, and as such unrepresentative and over-influenced by the point of view and requirements of the electorate to which it is alone responsible. This state of affairs may well produce difficulties and misunderstandings which will be recognised to be insoluble except by constitutional change. Similarly the Parliament Act may precipitate the necessity for constitutional reform, and as it is the Parliament which is responsible for the security of the Empire and the good government of India, Egypt, and the Crown Colonies, whose independence and efficiency it impairs, reform, when it is undertaken, is bound to be a matter of concern to the Empire as well as to the people of the British Isles.

But it is the situation which will exist within the House of Commons which is most likely to force the issue to the front. If congestion was bad before the war, it is likely to be far worse after it, as is obvious if one considers the list of matters which will demand urgent and continuous attention. In the first place, there will be the international situation. The cease-fire is likely to be sounded on a settlement of boundaries and indemnities and one or two other matters. But there are bound to be many other questions to be settled, as was the case after the Napoleonic wars, questions of great practical importance to the future of the world, and especially that of creating an international system which will give real security for liberty and peace. The settlement of these problems will certainly take years and will require constant attention and prompt decisions if any real measure of success is to be attained. Then there will be the difficult and thorny question of defence. Is the principle of compulsory service to be retained or not? What are the relative burdens to be borne by the different parts of the Empire? Then there is India. India has put forward, as we have seen, the claim both to a further

The Urgency of Reform

advance towards self-government in India itself, and for some system by which India's views and needs can be directly represented in London when Imperial policy is under review. And however opinion may differ as to the form in which they should be conceded, they must be dealt with without delay when the war is over. Then there is the whole group of subjects left over from before the war. The Irish question is the most obvious as it is the most important and the most difficult. In addition, there is the Welsh Church Bill, the Insurance Act, land reform, housing, poor law, and a vast number of lesser matters. Finally, there is the colossal group of problems created by the war itself. There is the demobilisation and repatriation of the armies, their re-absorption into the national life, the restarting of industry and trade on a peace basis, the settlement of pensions, disablement allowances, the fulfilment of the industrial promises about the reintroduction of Trade Union rules, the future of women in industry, protection versus free trade, the relations between capital and labour, the rehabilitation of agriculture as a vital source of food supply, and so on. The list might be indefinitely prolonged.

Every one of these matters will be urgent. Yet every one of them will have to be dealt with by one Cabinet and one Parliament. Is it not inevitable that there will be serious delays, and inefficiency and hurry in the effort to avoid delay? Is it not inevitable that a Cabinet overgrown and overloaded in war will become yet more overgrown and overloaded in peace, and that Parliament and people will be driven more and more to do what the Cabinet decides because to dispute about it would be to intensify confusion and delay? And is it not inevitable that general elections, that corner-stone of democracy, will be almost useless as a means of reaching decisions and getting things done? One has only to consider what a general election would mean when all these issues were presented to the electorate at one moment, to see how futile it is bound to be. And what is likely to be the effect of such a state of affairs? Is it

Necessity for Constitutional Reform

possible, for instance, to conceive a more certain way of producing a revolution in India, or a hopeless impasse in Ireland, or general revolutionary industrial unrest, or serious inter-imperial friction, than that the government should keep on making the reply that the consideration of these problems, vital and urgent as they admittedly were, must be postponed until more urgent business is disposed of, and it has time to deal with them. Yet that is the reply which must inevitably be frequently made.

It requires, indeed, no elaboration to show that we may be far nearer a real breakdown in our governmental machinery than anyone supposes. Nor does it require any argument to show that the root cause of the trouble lies in the fact that we are endeavouring to conduct the government of the Empire and the government of the United Kingdom through the same set of men, and that there is no way of getting rid of the trouble so long as Imperial and national functions are concentrated in the same hands.

With that we may leave the problem. It is not the purpose of this article to discuss the merits and demerits of particular schemes of reform. Its purpose is to endeavour to show that the question of constitutional reconstruction of the most far-reaching kind is bound to enter the sphere of practical politics directly the war is over, not through the activity of enthusiasts or constitutional reformers, but through the inexorable pressure of necessity. Our present constitution neither enables the people of the British Isles to mould effectively the development of their own society, nor does it enable the people of the Empire to control at all the government and the future of the greater commonwealth of which they are parts. We are members indeed neither of a commonwealth nor an Empire. If the work of reconstruction is to be smoothly and efficiently accomplished, if the Empire is to survive as a unity, and if democracy is to be a reality in any of its parts, it will only be as the result of the remodelling of its institutions on federal lines.

INDUSTRY AND FINANCE

I. THE HIGHER DIRECTION OF BRITISH INDUSTRY

ON the return of peace this country will be faced with the greatest industrial problem in its whole history. Six or seven million men will be discharged from their present occupation either of serving in the Army or Navy or of making munitions. The cost of living will be much higher than before the war ; wages will be higher ; interest on capital will be higher. Since interest and wages can only be paid out of the daily product of industry—there is no other source—neither will wages be maintained nor will capital obtain the return necessary to prevent its being drawn off to other countries, unless the product of our industry is greater than before the war, and unless our trade and commerce are organised to find markets for this increased product.

The standard of living among the majority of the industrial classes, as is now generally recognised, imperatively requires not only maintaining, but improving. On that basis only can a better trained and a more vigorous community be built. Yet that better standard can only come out of increased national production. It cannot be created by distributing the accumulated capital resources of the rich as wages, nor by diminishing the return which capital received from industry before the war. That was so low that the greater part of the national savings were attracted by the higher interest offered abroad. From the practical point of view successful reconstruction depends

Industry and Finance

upon such increased national production as will permit of paying the market rate of interest on capital and such wages as will improve the standard of living, especially of the poorer classes.

The rapid and efficient production of wealth depends in the main on the following conditions. First and foremost, on harmony between capital and labour. In industry those who work with their heads and those who work with their hands co-operate to produce the things which all of us need. If conflict and disunion take the place of co-operation, wealth-production is hindered, and everything the community requires is rendered less abundant and more costly. To secure this harmony of interest is the master problem of the modern industrial state. This subject is further discussed in another article in this issue, and to it we need not make further reference here.

Secondly, the rapid production of wealth depends on the habits of the rich. If those who have more than they want for the ordinary needs of life squander their surplus on forms of expenditure unproductive and wasteful in themselves, they do a double injury to the nation. They reduce *pro tanto* the wealth available for spending on productive effort, and they demoralise that part of the population whose lives are spent purely in ministering to the useless pleasures of the rich. If a rich man with a million to spend were to spend it on laying out pleasure grounds, on yachting, and so forth, the results to the community would be altogether different from those which would result supposing, for instance, he decided to spend it, say, on a great scheme for electrical power stations in an industrial area, designed not for his own profit but for the public benefit. In both cases he might employ the same amount of labour, but in one case the permanent results to the community would be *nil*; in the other the public would enjoy for ever cheaper and better power facilities, with innumerable effects on prices, travelling facilities, and so on. While our own country stands in need of vast schemes of re-housing,

The Higher Direction of British Industry

improvement of communications, development of electrical power, economical use of our coal supply, reorganisation of agriculture, improvement in education and in every sphere of social life there can be no excuse for the extravagant expenditure of the nation's resources in labour and material in providing superfluities for the rich. To this subject also no further reference will be made in this article.

The third important factor in the production of wealth is what may be termed the higher direction of industry in the broadest sense. Organisation, direction, co-ordination and knowledge are as essential to modern industry as they are to a modern army. The industrial army is always at war with nature. If it is to maintain its place in the van with the industrial armies of other progressive nations, it will depend not only on the natural qualities of its rank and file and on the good feeling between the rank and file and the directing class, but also on its staff work, on its equipment being maintained at the highest possible pitch, on new developments being carried through, new ideas and inventions sought and welcomed, on the collection of detailed and world-wide information on trade and industry, and on the co-ordination of all the directing forces of the nation, political, industrial, scientific and financial, both to secure the utmost internal development, and to conduct the strategic penetration of foreign markets. In a word, it will depend on the brains, adaptability and hard work of those who direct industry. It is this aspect of the problem of increasing the national production with which this article is concerned, and especially with the relation which the provision of adequate financial facilities to industry bears to it.

It is admitted that there are many weak points in our industrial armour. In the first place it is generally agreed that the equipment and plant of our industry is in many respects inferior, and sometimes markedly inferior, to that of America, and probably in a good many cases to that of Germany. We were before the war, and still are, in many

Industry and Finance

respects inferior to the United States in the application of machinery and automatic mechanical appliances ; we are greatly behindhand in the use of power, particularly electrical power, by the efficient utilisation of which our industrial life might be largely transformed.

The causes of our mechanical inferiority are various. One is the lack of research, to which reference is made later, and which results in the use of antiquated processes. Another is that we started earlier than our competitors. We built our railways and factories and docks on too small a scale ; our tunnels too narrow, our platforms too small, our terminals too cramped ; our workshops in crowded towns, where there is no room for expansion. Different industries grew up separately—e.g. blast furnaces, and steel works, which to-day should probably in certain cases be combined. Everywhere we are handicapped in the re-equipment and reorganisation of our industry by our having started on a scale too small for to-day, to say nothing of the further handicaps caused by the reluctance of the British working-man to take kindly to new labour-saving devices, and of the British industrialist to accept new ideas.

These difficulties have been increased by the ruinous tendency of most industrial businesses to divide profits up to the hilt, a tendency encouraged by our taxing laws. Reserves for depreciation and betterment are usually inadequate and accordingly large expenditure on re-equipment becomes impossible. It is hardly possible to exaggerate the importance of this matter. There never has been an age when developments in new inventions and processes were more rapid, or when more money was required by all the great industries, if they are to keep abreast of their foreign competitors. Unless they build up their reserves they cannot take advantage of new developments ; their profits are reduced in the face of more up-to-date competition, and they become less and less able to regain their position. Take an electric power company as an example. The coal consumption of a power station

The Higher Direction of British Industry

constructed to-day should for the same output be certainly not more than half that of one built in 1900. If a company which built its power station in 1900 has not been able to put by money wholly to re-equip it, it must either charge its customers much higher rates for power than should be necessary or face such a reduction in profits as may ruin it. A very large proportion of the coal used in the country is still used in plants involving a coal consumption from five to fifteen times greater than the best that can be done to-day. Everyone knows that our railways have been great sinners in the past in not conserving their resources. Does anyone suppose that, if some of our southern lines were in the United States, they would not be reorganised within a year? No doubt there are in this country much greater difficulties owing to the far smaller scope for development. But what is the position? They go on decade after decade crying for thorough reconstruction, starved by the sins of their former directors, and yet incapable of reorganisation owing to the provisions of our laws relating to statutory companies, originally designed though these were to protect the public. If the alternatives facing a railway company or any industrial company are to starve its plant and divide all its profits on the one hand, and reorganisation and a reduction of capital on the other, the interests of the community are decidedly in favour of the latter. The community requires the most efficient transport facilities and production of wealth possible. These can only be obtained by constant renewal of plant, and that is only possible if a producing company is able either to devote its own surplus earnings to the work or to obtain fresh capital. It is in such matters that a sound financial policy is essential to the welfare of industry. If the British investor is to be attracted by the securities of British industrial, railway and public utility companies, then he will have to be assured, and the financial world will have to see to it that a more conservative policy than heretofore is pursued in respect to building up reserves.

Industry and Finance

Another defect in our industry is generally thought to be our inferior organisation, both in manufacturing and in selling, and particularly our organisation for competing in foreign markets. Often there are too many small firms making the same thing, with the result that the scale of manufacture is too small, and overhead expenses inordinately large. Then again there is want of co-operation in selling. British industry is organised to meet individual competition, not the organised selling of cartels and great combinations. It is often necessary actually to create the demand, and to compete in fields where we must meet the huge American industries, and the highly organised German competition. Each trade must scientifically investigate foreign markets and lay out its plans in a thorough and far-seeing manner. Whatever we may think of cartels and combinations for home trade, they are undoubtedly necessary for foreign trade, and it is significant that recently the American anti-trust law prohibiting trusts and combinations has been amended so as not to apply to export business. Moreover, a Trade Commission now sits permanently at Washington, the chief activities of which are said to be the organisation of each separate American industry for export trade.

It is in this direction also that industry and finance should go hand in hand. The organised efforts of the German Government and the German banks constantly to assist not only German commerce but German industry abroad are well known. And now great American financial institutions, the National City Bank, the American International Corporation, and the Guaranty Trust are doing the same thing. They are beginning carefully and thoroughly to study foreign markets with a view to developing American industrial exports. The British foreign and colonial banks already do much for British trade abroad. But closer contact between finance and industry is needed. Opportunities in foreign markets often require in these days combined investigation both on the financial and

The Higher Direction of British Industry

industrial side. Whether, for instance, it is a foreign country which wishes to give out a large construction contract, or a British shipbuilding company which wishes to tender to build ships abroad, or whatever may be the proposal, the financial and manufacturing world must go hand in hand. There is too little co-ordinated effort in London in this direction.

A third defect is the lack of co-ordination between industry and research. The work of research, much neglected in this country, can no longer be carried out in a haphazard and unmethematical way. Modern industry is founded on natural science and its application to the material world. There may be a time far distant when we shall have found out all that we can about nature. But to-day that is far away. To-day we are in an age of incessant scientific discovery, and the increased production of wealth and our power of competition depends on the application of all this knowledge, both in small and great things, to industry. Wherever we look, whether it is in the vast development of electricity, not only for the ordinary purposes of lighting and power, but in the refining and production of metals or products such as nitrate from air, or the development of chemistry and its universal application to industry and agriculture, or to the vast economies possible in the proper utilisation of our coal resources, or whether we consider the development of the internal combustion engine, everywhere we see great progress. If we are to live in competition with other nations, we must keep ourselves abreast of them, not only in actual knowledge but in its practical application to industry.

The recent report of the Committee* of the Privy Council for Scientific and Industrial Research contains ample evidence both of the lack of research and the need for it. Here again the difficulties are due largely to the

* Report of the Committee of the Privy Council for Scientific and Industrial Research for the year 1915-16.

Industry and Finance

small-scale industry and the lack of co-operation. "Research," says a Committee of the British Engineers' Association, "cannot be fostered in the comparatively small establishments (and smaller research departments) of most British engineering concerns." "We think," says the Privy Council Committee, "that a good deal of the inertia which British manufacturers have shown towards research may have been due to a realisation, partly instinctive, perhaps, that research on the small scale they could afford was at best a doubtful proposition." The Committees further point out that "organisation can only be fought by counter organisation," and that nothing can be done "so long as the Englishman treats his business house as his business castle, adding to its original plan here and there as necessity or inclination directs with his hand against the hand of every other baron in the trade and no personal interest in the foreign politics of his industry as a whole." The Committee add that they are told that it is difficult, owing to the British banking arrangements—

for any but the largest British manufacturing firms to compete successfully for contracts in foreign markets where long credit is often customary. This difficulty led the British Engineers' Association, shortly before the war, to take steps to form an engineers' trust which would be supported by the firms belonging to the Association and furnish the necessary credit. We do not presume to offer any opinion upon this important and difficult question of finance, but we have felt bound to refer to it in support of the view we have already expressed, that the encouragement of research in our industries raises many other related issues which need equal attention, and which, if reconstruction is to be effective, must be brought into a single synthesis.

The difficulty in the way of research appears, therefore, to be partly accounted for by the unorganised state of British industry and the small scale on which most businesses are conducted.

This question of research leads naturally to the allied one of the adaptation to practice of new ideas, new inven-

The Higher Direction of British Industry

tions and new schemes. We are believed to be behindhand, if not in our scientific knowledge, at least in our application of it. Very many inventions are the fruit of English brains, but their development and application are done by others. Scientific progress to-day is not a series of brilliant ideas which can be straightway committed to practice. In general new developments come step by step, and the secrets of Nature yield themselves to us little by little at the cost of infinite toil. And when we have learnt them "there is many a slip 'twixt the cup and the lip." There is a long road between a laboratory experiment and its successful and profitable development in industry, as many know to their cost. The most difficult period in the life of a new invention or a new design is that of adaptation to practice, the long period during which it is necessary to spend much money and much labour, often fruitlessly, in seeing whether it can be applied on a commercial scale. It is often a most costly process, but it is an unavoidable one. Yet it is not seldom far beyond the reach of any individual company with limited resources. The risk of failure is too great. If, then, we are to unite natural science with industry in an effective way, industry must be prepared to face much delay and much expense. It must be ready first to encourage and maintain year in and year out the steady work of research and then to spend time and money on the practical development of the results. It is useless to carry on the work of research haphazard or by fits and starts. An industry must be prepared to forgo its reward perhaps for an indefinite period. And by research is not meant simply chemical research. It covers research of every nature, mechanical, electrical, and so forth.

It covers, too, the study from every side, scientific, commercial and financial, of large schemes of development. An address was recently given before the British Association by Mr. Charles Merz on "Electric Power and Distribution," in which he advocated the establishment of a distribution system of national electrical trunk mains and large

Industry and Finance

power stations, by the means of which he anticipated it would in many ways be possible to revolutionise our industry, saving in the near future 25,000,000 tons of coal per annum and eventually 50,000,000 to 60,000,000 tons by developing the general use of electrical energy, establishing new industries, using to a far greater extent the by-products of coal, and cheapening motor fuel.

There is no organisation now in the Empire for developing such schemes either at home or abroad, and generally no money available for even investigating their merits. New schemes frequently get into the hands of people who would rather float them or start them without proper investigation than run the risk of losing the money necessary for proper investigation. New schemes, new processes, and new ideas frequently fail, because they get into the hands of unthorough people, who have not sufficient technical advice and assistance properly to develop them.

These weaknesses in British industry—the failure to apply scientific and technical knowledge to manufacturing, the lack of research, the want of co-operation in manufacturing and in selling, the failure to provide for renewals and depreciation—all of which have as one of their effects the keeping down of wages—are overcome to a great extent in America and Germany by large organisations, cartels and trusts. Their monopolistic tendency is objectionable to the English mind, and possibly among other drawbacks may have the effect of deadening individual initiative. It is particularly to be desired that the small man and the man with new ideas and new schemes should be able to obtain adequate financial assistance, and much can be done to effect this by co-operation among the individuals themselves, and intelligent assistance from the banks. Yet even so it can hardly be questioned that, if the most recent methods are to be used and the greatest economy in production and the use of by-products is to be obtained, some of the greatest industries of the country may have to be conducted on a larger scale.

The Higher Direction of British Industry

The characteristic modern industry is the large-scale industry, whether it takes the concentrated form of the American trust or the combinations of smaller businesses more or less closely organised together, for production or selling, like the German cartels or in a lesser degree the British "rings." In the case of the great industries, like the iron and steel industry, or coal mining, or the chemical engineering, electrical and shipbuilding industries, or the textile industry, increased efficiency is to be found more and more in co-operation and combination than in unrestricted individualism and competition—a co-operation which will not only cover the different processes of industry itself from the raw material up to the sale of the final manufactured article, but which will link up together industry, finance, and research. Efficiency will depend largely on the operations of the industry being conducted on a great scale, on its power to spend large sums of money not only in providing against depreciation, but in installing the latest forms of plant and machinery, and also in looking for improved designs and processes and methods of manufacture. A number of small firms opposed by the Steel Corporation, or the Standard Oil Company, or the Allgemeine Electricitäts Gesellschaft, is like an ill-trained levy meeting in the field a highly organised modern army. Co-operation and combination in production are necessary first, because otherwise the scale of manufacture will be too small and the advantages of specialisation will be lost. They are necessary, again, in selling in order to steady prices, to cut down the middleman's expenses, and also in order to carry on a strategical campaign for the penetration of foreign markets, and to obtain that world-wide knowledge of foreign markets necessary to harmonise production with demand and to escape periods of inflation and depreciation. They are equally necessary if a far-sighted plan of investigation and research is to be steadily carried on.

If these criticisms of British industry are justified, then it seems certain that in the near future we shall require

Industry and Finance

large sums of money and the close co-operation and advice in the reorganisation, renovations and new developments which will be needed. It follows that the attention of the British investor must be drawn to his own industries in a more systematic and efficient way than hitherto. He must invest at home some of the hundreds of millions he has in recent years invested abroad. British industry will no longer be able to rely, as hitherto, on its own private and local resources, but must seek more largely the reservoirs of the London market. Whether, if this is to be done systematically and adequately to the needs of the situation, our financial machinery will not have to be supplemented is the problem now agitating the financial world. Before discussing it in detail it may be useful to give some consideration to the case of Germany, where, as is well known, the relations between finance and industry are more intimate than anywhere in the world, and where, as a German writer says, "the credit banks are linked with industry in a well-nigh indissoluble union for weal or woe." German methods seldom in their entirety suit the British people. But we can learn something from them. In a report just published by the Board of Agriculture on "The Recent Development of German Agriculture,"* the following conclusions are reached :—

On a farm of 100 acres

- (1) The British farmer feeds from 45 to 50 persons, the German farmer feeds from 70 to 75 persons.
- (2) The British farmer grows 15 tons of corn, the German farmer grows 33 tons.
- (3) The British farmer grows 11 tons of potatoes, the German farmer grows 55 tons.
- (4) The British farmer produces 4 tons of meat, the German farmer produces $4\frac{1}{2}$ tons.
- (5) The British farmer produces $17\frac{1}{2}$ tons of milk, the German farmer produces 28 tons.

* *The Recent Development of German Agriculture*, by T. H. Middleton, C.B., Cd. 8505. 1916.

The German Banking System

(6) The British farmer produces a negligible quantity of sugar, the German farmer produces $2\frac{3}{4}$ tons.

The author concludes that, while from the actual processes of German husbandry there is relatively little to learn, "from the agricultural policy of Germany we may learn something, and from the admirable machinery—administrative, educational and commercial—set up to lead, teach and finance agriculturists we may learn much."

It is by no means certain if we could measure the output before the war of a 100-man factory in this country in some of our large industries, and compare it with a similar output in Germany, the United States or Canada, the result would be more encouraging. If our output were less it would certainly not be due to any inherent incapacity in our people, but the result of restriction of output on the one hand, and failure in the co-ordination of industry, science, organisation and finance on the other.

II. THE GERMAN BANKING SYSTEM

THE German banking system differs from the English not only because the Germans are different in temperament from the English, and because, as a recent very qualified writer* has said, the German soul has a "thirst for system, wholeness and closely knit organisation," but because the historical environment of its early beginnings was very different.

When German industry began it found the industry of other countries, and particularly British industry, in control of the world. Germany had practically no industry. Her people were very poor, and a developed banking system practically non-existent. The necessity therefore existed for concentrating as much available capital as possible in the newly formed banks and for utilising this capital for the purposes of industry. In order to grow in the face of

* *The German Soul.* Baron Friedrich von Hugel. 1916.

Industry and Finance

foreign competition German industry required every possible weapon, whether it were a tariff or Government aid by bounties, or railway export rates, or, lastly, the organised aid of banking. A further consequence was that German banking and industry practically started simultaneously and grew up together organised in close co-operation. German growth therefore resembles in this respect Japanese growth.

If the beginnings of some of the great banks about 1840 and 1850 are examined, it will be found that in every case their objects included the active promotion of industrial enterprises of all kinds, the investment of the banks' funds in them, and the formation, consolidation and combination of joint stock companies. Thus from the commencement the German banks, induced thereto by the economic conditions then existing in Germany, started out on that path of close partnership with industry upon which they have continued ever since. Special banks of deposit, not taking a direct participation in industry, were not possible at this era owing to the scanty means of the population. As industry itself was too poor, the banks were the only reservoirs from which the capital and credit needed could be drawn.

There has accordingly been developed a far closer connection between banking and industry in Germany than in this country, and many functions are performed by German banks which would be considered in this country to be outside the sphere of legitimate banking. These functions include the tasks of acting as close financial advisers and even controllers of many industrial concerns, of carrying through reorganisation and promotions of industrial companies, of issuing industrial securities, of encouraging new ventures and of syndicate business of every description.

The full development of the limited liability company was of later date in Germany than in this country, and the German banker played a leading part in transforming private firms into limited companies and then in financing

The German Banking System

the new concerns and issuing their securities. Through these transactions the banks were led on "to the conquest of entire branches of industrial activity and to close affiliations with commanding concerns, cartels and syndicates." It was natural that, when once a bank had issued the bonds and shares of an industrial company, and made itself responsible to the public for them, it should, if only for the sake of its issuing credit, take a permanent interest in the company. Thus the banks were brought into ever closer relations with industry. So much so that every great German bank has its own representatives on a surprisingly large number of industrial businesses. For example, the Deutsche Bank, it appears, was in 1911 represented directly on the boards of 12 mining, smelting and salt works, 1 stone and earth company, 3 metal-working companies, 23 engineering and machine companies, 1 chemical company, 4 oil and gas companies, 6 textile companies, 1 paper company, 1 rubber company, 2 food-producing companies, 1 waterworks company, 2 building societies, 2 printing and publishing companies, 27 commercial enterprises, mostly banks, 9 insurance companies, and 19 transportation and public utility companies. Many of these are among the biggest undertakings in Germany. A similar list could be compiled for all the other banks. It was natural that, when the banks became so deeply interested in industries, they should have exercised a strong influence towards consolidation and concentration. They have "promoted a great number of fusions, whose object was either to get rid of troublesome competition, to combine successive stages in the process of production, or to diminish the cost of production," particularly in the mining and electrical industry.

"Large scale industry and capitalism bearing to each other the reciprocal relations of cause and effect were thus enabled by the aid of the German banks to unite in an inseparable alliance, which impressed its characteristic stamp on the entire economic development of Germany."

Industry and Finance

It is the German banks' practice of undertaking the responsibility for industrial issues—a practice British joint stocks have never lent themselves to—which "is the keystone of the vast structure of the industrial relations between banks and industry." It is this practice which, as pointed out above, inevitably leads to direct representation of the banks on industrial boards, and furthermore causes the banks of necessity to maintain with the companies in question the influence they have gained by their issues. It is the duty "of the bank, according to the well-established and sound practice of German banking, to retain such permanent control."

In order to strengthen themselves in the performance of the heavy duties which they undertook, the German banks naturally resorted to concentration of forces of different kinds. These alliances have taken different forms. There is first what may be called the permanent group of banks round each leading bank. The Deutsche Bank group consists, for instance, of about 20 banks with a combined share capital of something like £50,000,000. In the second place, there are throughout German banking permanent combinations formed by certain banks or banking firms for certain operations or classes of operations, and involving a more or less close alliance among individual banks. These definite groups are divided either as regards certain countries or as regards certain industries, and even as regards special concerns. For instance, most of the large banks and private banking houses have combined to form in the case of China the Deutsche-Asiatische Bank, thus assuring united action, "not only with reference to Chinese, but also all Asiatic financial operations, the new powerful syndicate, led by the Disconto-Gesellschaft, undertaking the common planning and managing of loans and advances to the central Governments, provinces and railroad companies in China, Japan and Korea, and the organising of railroad and mining companies in China."

"A large number of bank groups originated during the

The German Banking System

second period (i.e. after 1870) as a result of the changed relations of the banks to industry. In this field, the formation of groups, while due to designed industrial policy, had become more pronounced and definite since the 'nineties, and in turn caused a more refined differentiation and growing intensification of this policy. The principal cause was, however, the enormous demand for capital by industry in general and the electro-technical industries in particular. Accordingly we find such bank groups closely allied with the so-called 'heavy' industries (mining, iron and steel) as well as with the 'light' industries, especially the electrical industry, breweries, secondary railways, and petroleum enterprises."

The third class of alliances is what are known in Germany as "konsortien," i.e. syndicates formed for the purpose of a particular operation, and generally similar in character to the underwriting syndicates common in London. It may be interesting to note that "in many cases the acceptance of syndicate participations is by no means voluntary. Whenever there are permanent groups (e.g. for Asiatic, Russian, Austro-Hungarian business, or for business in the domain of the electrical industry), any bank belonging to the group is bound to accept its participation quota in the underwriting or issue unless there is a special arrangement—which is rarely the case—whereby it is free to abstain from a particular operation of the group. The obligations remain even when a bank objects to the particular operation as a whole or to any of its features, to the time, or, what is not less important, the price, or to any other terms of the issue."

The influence of the banks naturally differed in different industries. Compare, for instance, the electrical, the chemical and the mining and metallurgical industries. The electrical industry has required for the great developments it has made in Germany very large capital sums, and its growth would have been "simply inconceivable at any stage of its concentration without the aid of the banks."

Industry and Finance

This industry went through several severe crises, in which the banks suffered very heavy losses. At the beginning of this century there had been a period of general over-production and a chaos of financing, resulting in the formation of seven different large groups of electrical enterprises, each backed by its own banking group. But the financial requirements of the industry were again too great for many of the groups, and subsequently, after the companies and the banks supporting them had gone through some very bad experiences, these seven groups themselves coalesced into two main groups, the Allgemeine Electricitäts Gesellschaft and the Siemens-Schuckert Group. These again now work in co-operation and are supported by all the leading banks. They form a combination in the electrical industry vastly more powerful than anything this country can show.

The chemical industry, for which Germany is equally, if not more, famous, has been influenced in the direction of concentration by technical and not financial causes. It never required much financial assistance from the banks, and therefore did not come under their control. Technical influences and the organisation required for the export trade seem to have been the chief reasons for concentration. It may be added that since the war the two great chemical groups have amalgamated into one.

In the mining and metallurgical industries, again, concentration has been due very largely to the existence of cartels, and "banks and concentration banking have exerted a vast influence on industrial concentration."

It is certain, moreover, that the entire German banking world, as may be seen from numerous reports, not only welcomed such important cartels as the Rhenish-Westphalian and Iron Syndicates and the Steel Works Union, but in many cases helped to bring them into existence, as far as it lay in their power, and within limits compatible with their other duties. This they did not only in the interest of the general welfare and of the prosperity of industry in general, but in the last analysis also in the interest of their own business, closely bound up with the growth and prosperity of the industry which was to be fostered by the establishment of cartels.

The German Banking System

The activity of the large banks in the formation of syndicates has, however, as a rule, more important consequences. As we observed, the organisation of large cartels, which in themselves represent a type of concentration, usually involves the erection, equipment, and amalgamation of large "mixed" works (mixed works are those works combining blast furnaces and steel works) devoted to a variety of operations, thus promoting another form of concentration.

These two districts, the Rhenish-Westphalian and the Lorraine-Luxemburg districts, which may be regarded as the capital seats of the mining and iron industries, witness at present the great struggle for industrial supremacy between the leading mining concerns and for financial supremacy between the leading banks. It is highly interesting to watch the turns in this battle, the numerous ups and downs, surprises, and combinations which present themselves in varied and exciting array to the attentive observer as the contending parties manoeuvre and clash in the combat.

Concentration in banking, which itself was greatly influenced by developments in industry, thus in turn helped to bring about concentration in industry.

A regrettable feature of this movement has been the disappearance or absorption of many of the great private banking houses, whose utility was recognised when it was too late.

It is hardly possible, however, to dispute the fact that German industry has derived great benefits from German banking methods "One difference," says a German bank director in 1908 to the American National Monetary Commission, "between the banks of England and Germany is that in England the primary purpose of the banks seems to be to secure large earnings for their shareholders. In Germany our banks are largely responsible for the development of the Empire, having fostered and built up its industries."

But is there a reverse side to the shield? Industry has benefited. Has banking gained equally? Are the benefits to industry more than outweighed by the dangers which may invade the whole banking structure? Do the conditions of German banking inspire British bankers to follow in their path? Safety and liquidity must be the

Industry and Finance

watchword of a deposit bank, such as are all great British banks, and such as the German banks are more and more tending to become. It is significant to note that the more German banks increase their deposits, the more they are forced to pay heed to those principles of distribution of risk and liquidity of resources which characterise British banking.

On the whole (says Dr. Riesser, from whose work on German banking the above quotations have been made) it may be said that :

1. The distribution of dividends by the banks is becoming steadier in proportion as their deposit business develops.
2. The flotation and issue business is relegated to the rear in proportion as the deposit business comes to the front.

In liquidity of resources, indeed, there is no question but that the British system is uncontestedly superior to the German. Dr. Riesser, who is himself a convinced advocate of German banking, shows that, notwithstanding the flourishing condition of German industry, the proportion of liquid assets to liabilities has been constantly falling, e.g., as calculated by him from 85 per cent. in 1893 to 62 per cent. in 1908, though recently there is said to have been a considerable improvement. This falling-off he traces to the strong concentration movement in banking and industry and to the unexpectedly large demands of industry and the accompanying growth of speculation. It is generally understood that after the financial crisis of 1907-8 the German Government itself officially notified to the great deposit banks that in its opinion they did not offer sufficient guarantees to their depositors and that by some means or other an improvement must be made. Since that date, and notwithstanding all the successes achieved during the last thirty years, there has been much uneasy feeling in Germany about future banking developments. Banking and industrial power has become largely concentrated in a few hands, and it is recognised that much will depend on competent successors being found to the extremely able

The German Banking System

men who have built up the great banks and industries in the last few decades. Some observers go so far as to say that but for the war far-reaching changes in the German banking system would have been inevitable. It is difficult for anyone in this country to form a sound judgment on this question.

The German banks have all of them learned by bitter experience the danger and difficulties of the large deposit bank of industrial financing.

It cannot be doubted (says Dr. Riesser) that the permanent assumption of large risks in enterprises by credit banks is incompatible with fundamental principles of sound banking policy. Transgressions of this rule have almost always brought their own atonement, often of a cruel nature . . . in order to avoid direct participation, have to a large extent resorted to the invention of trust and finance companies for the purpose of exercising their promoting activity, and for the financing of subsidiary banks.

It has undoubtedly frequently happened that, when once the banks had tied themselves up with a particular industry, they were forced, unless they were prepared to lose everything they had put in, to continue and even increase the facilities they were granting, even if such a course were extremely inconvenient, and in the mining, the engineering and the electrical industries the banks have had many sad experiences. Similarly the banks have often had to finance foreign contracts for German industries, in which they were deeply interested, though the profits attached might not have been commensurate with the risks. On the other hand, German industries have, of course, immensely benefited from the assistance so given.

Where an industrial concern has grown very big and has had large requirements for capital, which its banks will not or cannot meet, it has in more than one case been compelled itself to found institutions apparently independent, for the sole purpose of unloading on to them its undigested securities. Brilliant, then, as have been the successes of German banking, they do not afford any ground for

Industry and Finance

suggesting that our joint stock banks would do well to follow in their footsteps. The problem before us is to discover whether we can secure the undoubted merits of the German co-ordination of industry and finance without running the risks which inevitably follow the concentration in one class of bank of every banking and financial function.

III. ENGLISH AND GERMAN BANKING COMPARED

NO financial centre in the world approaches London in the wealth and variety of its banking institutions or in the development of a form of deposit banking of an unrivalled strength and elasticity. No other financial centre approaches it in the width of its operations, whether in financing the world's trade by the London bill of exchange or in the freedom and world-wide scope of its Stock Exchange. No other centre has poured through the machinery of its great issuing houses such a copious flow of capital throughout the world. In no other centre can first-class foreign and colonial securities, whether Government or municipal or railway, be so easily placed. No other financial centre offers to its traders and merchants the help of so many banking institutions abroad as are offered to the British merchants and traders by the British colonial and foreign banks. Moreover, the great British joint stock banks, with their hundreds of millions of deposits, a large percentage of which is loaned direct to trade and industry in this country, provide banking facilities which, subject to the conditions imposed by the nature of British deposit banking, are on the whole quite as liberal as those obtainable in any other country. The British banking system, moreover, escapes the dangers which undoubtedly threaten the German. It is safer and more liquid. The differences between them are largely due to the different conditions surrounding the historical development of the two systems. In this country the imperative reasons for co-operation

English and German Banking Compared

between banks and industry never existed, as they did in Germany, and in consequence they have grown up more or less in separate compartments. British industry early grew wealthy and relied largely on its own resources ; it was never forced by want of money to accept the control of the financial and banking interests. Moreover, the system of deposit banking characteristic of this country did not lend itself to close co-operation with industry. The interests of depositors and the comparative smallness of the capital employed required that the banks' assets should be kept as far as possible liquid, and it was not supposed, and with good ground, that such safeguards would be sufficient to prevent the solidity of the banking edifice from being endangered if banks of this character took an active part in the conduct of industry.

The British Joint Stock Banks are, indeed, not fitted, from the nature either of their liabilities or their management, to undertake the tasks which the German banks have hitherto shouldered, and it would be paradoxical that at a time when the German banks, as their deposits grow, are more and more tending towards our own methods, our deposit banks should launch out in directions for which they are in no way suited.

Similarly our great private banking houses in almost every case have avoided being drawn into industrial financing. It could not be otherwise in view of the large liabilities they undertake in connection with financing overseas trade by means of acceptances.

Yet, notwithstanding all the merits of our system, the value of which it would be impossible to overestimate, and while the cogent reasons for the policy of the big banks and accepting houses are admitted, a reflective mind is constantly struck by the peculiar lack of contact between the chief financial centre of the world and the industry of its own country. Indeed, London and the British investor who invests through London knows very little of British industries. In this respect there is a great difference

Industry and Finance

between Berlin and New York on the one hand and London on the other. American industrial securities occupy a large space in the life of the New York market ; the most prominent banking houses and other financial institutions are concerned in the organisation and reorganisation of the great railway companies and the great industrial combinations. Their securities are constantly brought prominently before the eyes of the American investor—so much so, indeed, that the great difficulty is to get him to invest in anything else. As to Germany, there is clearly nothing in our country approaching the highly developed co-ordination of the German system, nor the intricate interlocking in the management of finance and industry in every sphere. There are no first-class financial institutions in London which act as organisers or reorganisers of companies, or which issue on their own responsibility industrial securities, whether shares or bonds. Speaking broadly, the banks do not accept any responsibility to the public as regards issues of any sort, even when their name may appear on the prospectus. Therefore they are not driven, as the German banks are, to aid in every way possible the companies whose securities they have issued, or to maintain any special representatives as directors of any large industrial concern, nor do they, either singly or grouped according to the German method, in any way identify themselves with any particular industry or concern. Certain trust companies, it is true, act as media in the issue of industrial securities of prosperous and going concerns. But there is no big financial institution which possesses an industrial department, or has an organisation for study or research into new ideas or new inventions, or a technical staff or advisers ; there is no institution whose special business is to examine and nurse new schemes or developments until they are sufficiently proved and ripe for public investment, or which makes it its business to investigate conditions of industry abroad, or to conduct any campaigns in conjunction with British industry and shipping for a strategic development of foreign

English and German Banking Compared

markets. In a word, there are no financial institutions in London whose aim it is, as it is the aim of the German banks, to act as a kind of general staff to industry.

Our system appears to have certain weaknesses in face of the close and organised inter-relation between industry and finance in Germany. Take, for instance, the question of foreign contracts. Suppose a foreign Government or company wish to carry out in their country a scheme of industrial development involving a large financial outlay. There are some reasons why they should prefer Germany to England. In Germany their schemes will be considered at once by an institution which combines the financial power, the means of investigation and research, the issuing capacity and the industrial connections amply sufficient to carry out any contract, however large, if the scheme is approved by it. Suppose it were a scheme for large electrical development. The plans would be worked out in co-operation between, say, the Deutsche Überseeische Bank, the Deutsche Bank, and Messrs. Siemens and Halske, or the Allgemeine Electricitäts Gesellschaft, or both in conjunction. In many cases the German bank would probably be willing to guarantee the manufacturer or contractor since they are so largely interested.

But if the project were brought to England, how would it be handled? If it were a scheme for harbour or railway building it might well be efficiently handled by one of the great British contracting firms. But schemes relating to more technical industries might be more difficult. No joint stock bank would take up such a scheme or make itself responsible for it. It is possible but improbable that a private banking house might. Even if it did, it would have no organisation for investigating it, nor probably any close contact with the industry concerned comparable to that likely to be possessed by the German bank. In all probability the scheme would fall into the hands of a company promoter, who would then try to interest some financial concern or other, and who might

Industry and Finance

or might not finally manage to gather together the means of carrying the scheme through. And this defect of our system is of still more importance when it comes, not to the financing of foreign contracts, but to the development of our own country. It seems likely, therefore, that our lack of co-ordination results in a preference in favour of German industry.

Industrial issues, and particularly new schemes, are left too much to the company promoter. They do not bear the *imprimatur* of any institution which would carry weight with the public and would be a guarantee that the business has been thoroughly investigated, and will be looked after when the issue has been made. The company promoter is concerned to make the issue a success, but, when once it is made, his interest in the business often fades. He must therefore look to make as large an immediate profit as possible regardless of the future welfare of the business. He dares not bear the subsequent responsibility that would attach to an issuing bank or private house. It is a natural consequence of this system that expert inquiry into projects, before they are offered to the public, is often of a far more casual nature than would be the case if a really responsible institution was standing behind the issue. It is this habit of superficial inquiry which has led to vast sums being lost by the public, and to the words "company promoter" and "expert" becoming clothed with a sinister significance in their minds.

A detailed investigation of the public issues made in London in 1913 as shown in *The Times* volume of prospectuses gives the following results. The total issues of that year amounted to over £229,000,000. Of that total only about £13,500,000 was for the purpose of British industry and commerce of every description, including in that definition not only shipping, steel power companies and so forth, but picture palaces, sewing machines, etc. Iron and steel companies and armament firms took something

English and German Banking Compared

over £2,000,000 ; electrical power about £1,250,000 ; shipping, £3,800,000 ; engineering, £100,000. Obviously the amount of permanent capital London provided for British industry is small indeed compared to the copious streams which flow to the Dominions and to foreign countries.

In 1900 the issues of industrial shares by the German banks, on the other hand, amounted to nearly £23,000,000 ; in 1906 to about £32,000,000. One may take about £25,000,000 as an average. Their issues of industrial debentures may be placed at from £5,000,000 to £15,000,000 a year.

Habit plays a large part in the psychology of the investor. The American investor has the habit of investing in nothing foreign ; the French investor has a habit of investing in first and second class foreign government securities ; the British investor the habit of investing in colonial and foreign securities of all kinds. This latter habit is the result of a good many influences working over many years. The financing of British industry has been largely of a local and private nature, and the north of England has not closely allied itself with London ; the great issuing houses in London have often been more closely in touch with foreign countries than with British industries ; and of late years the difficulties with labour, the Trade Union habit of restricting output, and the general insecurity produced by what may be called Mr. Lloyd George's pre-war policy have scared the British investor off home industries. The absence of any protection against "dumping" and unfair foreign competition has added to his diffidence. While our huge foreign investments have been of incalculable value to the whole Allied cause in this war, it is undoubtedly a question for debate whether we might not have spent some at any rate of the capital we have poured into foreign countries more profitably to ourselves and to the whole community in the development of our own country. Important for our trade and

Industry and Finance

commerce and for our economic and financial life as are our investments overseas, they must not blind us to what is still more important, the adequate development of our own land. Investments overseas bring profit and interest to the British investor who sends his capital abroad ; they increase our exports, and therefore give work to labour here ; they also give work to the labour and profits to the capitalists of foreign countries. Capital advantageously spent here is doubly profitable. The labour employed is all home labour ; the profits all remain here ; and the work done adds wholly to the development of the country. When one considers the condition in which a large section of our population live, it is absurd to say that great sums of capital could not be spent here with advantage to the community. Is not Mr. Sidney Webb right in saying that "the economically sound policy for a nation in the long run is to develop within its own borders as many as possible of the industries fundamental to its health and strength" ? Is he not right, too, in suggesting that the real key-industries are—

(a) The re-housing of the population ; (b) the improvement of our system of communications ; (c) the reorganisation of agriculture ; (d) the development of the economically all-important "industry" of preserving the health of the community (drainage, water supply, hospitals, medical attendance, school clinics) ; (e) an increase in the output of our most valuable product—namely, a highly-trained population.

To these we may add the highest development of our industrial plant—*e.g.*, the use of electrical power, the proper development of our fuel resources and the use of labour-saving devices.

The figures of issues above quoted suggest the reflection whether in view of the reduction caused by the war in the amount of available capital, some measures will not be required in peace time to encourage the employment of capital here rather than its export abroad. The first duty of the German banks, urges Dr. Riesser, is "to use

The Financing of Industry after the War

the available funds of the nation for increasing the national production and purchasing power, and for strengthening the home markets."

The undertaking of or participation in foreign investments is practicable only when there is a considerable surplus of capital fully met. Even if these conditions exist, such investments are not to be favoured, when in the long run they result in the strengthening of foreign industry and the enhancing of foreign competition against our domestic trade and industry.

International commercial dealing as well as international flotations ought to be but the means of attaining national ends, and must be placed in the service of national labour.

It is a question whether it is not possible to supplement our financial machinery so as to assist in new schemes of development in this country, and to create a closer link between British industry and the British investor.

IV. THE FINANCING OF INDUSTRY AFTER THE WAR

IF the arguments used in the foregoing pages are sound, then it would seem likely that British industry will, or ought to, require in future years the assistance of finance in a large way, first because existing industries will require renovating, and in some cases conducting on a larger and more economical scale ; secondly, because new schemes and new developments at home will require much more encouragement than they have received in the past ; and, lastly, because foreign contracts and foreign industrial and " public utility " schemes will require the close co-operation in this country of finance and industry if we are to compete with Germany and America.

If the needed assistance of finance is to be given it must be through the agency of one or more institutions, whose business it will be to co-operate with industry to achieve the above-mentioned objects. An institution of this character should form a link between British industry and

Industry and Finance

the British investor; it should assist in aiding desirable schemes for amalgamation or co-ordination of existing industries; investigate new schemes for development; act as far as may be as the confidential adviser of industry; and it should take up and finance projects to a productive stage and ultimately make issues to the public. Its *imprimatur* on any issue should be evidence to the public that the business in question had been thoroughly and carefully investigated, and that the issuing institution would hold itself responsible for its good management in the future. There is no reason necessarily why there should be only one institution of the kind, and indeed it may be desirable to get away from the idea that the only practicable method is to start a sort of monopolistic semi-government institution. But it is not too much to say that at present there is no institution at all in London which acts in the above relation to the issue of industrial securities.

If the idea were to commend itself to responsible quarters in the City, there should be no great difficulty in making a beginning. There is no lack of money in London, both in the joint stock banks and the trust companies. A number of them could, without difficulty, co-operate to form an institution such as has been outlined above. The amount of capital to be put up at once need not necessarily be very large, though the financial strength and credit of the institution would, of course, have to be undoubted. But if it were known that strong banks and trust companies were backing it, its credit would be secure and its capital could be enlarged from time to time as required. Large dividends could not be expected at once, and this is in itself a strong reason for the capital being provided by large financial institutions. They would have to look not so much to an immediate and direct return, but to the indirect benefit to be derived from the development of the country's industries. The support of strong banking concerns would have the added advantage that the new institution

The Financing of Industry after the War

would not be tempted in order to earn dividends to go into second-class business and get its resources quickly locked up. It would seem prudent that any such institution should start on a modest scale and that its operations should at first be limited and cautious, so that it might gradually build up its business on firm foundations. Probably at first it would be wise to act mainly as a *Société d'Etudes*. It would require to study carefully the ground and scope of its possible activities before entering on large ventures. There are few institutions, either of a financial or industrial kind, which have not been built up from small beginnings. It is probable and natural that different financial and industrial interests would naturally group themselves round different institutions. If they are found to correspond to a need and are ably managed, they should be able to rely on their own strength and utility.

But the field is a somewhat unknown one in this country, and any such institution would have gradually and often no doubt by difficult experiences to work out for itself its special sphere and the limitations of its activity. It is worth remarking, however, that some authorities are in favour of a more ambitious beginning. Lord Faringdon's Committee, which the President of the Board of Trade recently appointed to consider this particular matter, have recommended the establishment of a British Trade Bank to assist mainly, it would seem, with foreign developments, and appear to contemplate that while such a bank should not receive actual Government assistance, it should be regarded by the Government as the channel through which any financial business in which they are concerned should pass. In other very well-informed quarters there is considered to be a serious and immediate need for a financial institution, not necessarily with any banking functions but with very large resources, so that it should be in a position immediately after the war to provide large sums to enable British industry to compete with the powerful combinations of German and American trusts and

Industry and Finance

cartels. If a large capital is to be found at once and if the institution to be founded is to spring into full activity as a sort of "ready-for-service" bank, which will be prepared to plunge into schemes of all kinds, then a Government guarantee of dividends for a certain period would seem almost inevitable. Only so could it feel strong enough to launch out rapidly on large schemes of a promising nature, or indeed be in a position to raise the capital required. A Government guarantee has undoubtedly great attractions. It immediately gives the bank security and strength, and enables it to develop quickly. But it has all the disadvantages of an artificial stimulant. Its subsequent withdrawal might seriously weaken it. It subjects the bank to Government interference and control. And it has other drawbacks, too. Suppose the institution receiving the guarantee were to give its assistance, say, to one group of steel manufacturers in the country and were unable or unwilling in consequence to give it to another. The latter group might with justice complain that the assistance of a State-aided bank given to its competitors was an unfair handicap against it. A third alternative, which is perhaps the most attractive of all, is that some existing institution with a large clientèle at home and abroad should be purchased as a "going concern" and should form a foundation from which to carry out the objects in view.

It is certain that, whatever scheme may be adopted, no little criticism is likely to be provoked in the City. That criticism will take several forms. In the first place, there is a considerable body of opinion in the City, not necessarily very conversant with modern industrial developments, which thinks that our present system fulfils all reasonable needs. A large number of people regard our financial system, just as Burke regarded our Constitution, as something which grows and is not made, and which has by natural evolution grown almost to perfection. It is argued that every country evolves the system which suits it, whether it be the British or the German or the American

The Financing of Industry after the War

To these critics it is presumably "natural" that the Germans should build Zeppelins and we should not; that we should invent aniline dyes and the Germans exploit them; "natural," too, that the German and American steel industries should increase by leaps and bounds and ours should remain stagnant. It is a form of argument strongly entrenched in the City, but it is not likely to exercise an undue influence on this and the next generation.

A second criticism will be that British industry has all the money it requires. If it does not get it from London, then it gets it, it will be said, from private and local sources. It is, no doubt, quite true that the British joint stocks are quite as liberal as the banks of any other country in providing strictly banking and temporary assistance to industry; it is, no doubt, also true that in the past the money which has gone into industry has been largely found privately. That, however, is not to say, even as regards the past, that the existing system has been adequate. In the future it cannot be doubted that it will be inadequate. Apart altogether from the insufficiency of our machinery for investigating new developments, we cannot be blind to the facts of the world around us. If the world's trade is to be fought for by great foreign combinations and cartels, we, too, must build our industry on a large scale, and large industries require large methods of financing. In other words, the aid of the investor will have to be sought in an adequate way through the financial machinery of London. By our enormous war orders we are pouring fabulous sums into the laps of the great American iron, steel, and engineering industries. They will be vastly more wealthy and powerful than our own industries. Even now the great American basic industries are reaching out to acquire all the best deposits of raw materials they can lay their hands on, wherever they may be. Representatives of American industry, backed by great financial corporations, are seeking new business in all likely quarters of the globe, and in the future we shall have two enterprising

Industry and Finance

and powerful countries and not one to compete with abroad. Even before the war, notwithstanding the reputation for integrity which British industry and finance enjoyed, and which still inclines foreign countries in our favour, the tendency has been of late years for Russian, Chinese, and South American enterprises to go to Germany or the United States. A contributory cause is undoubtedly the roundabout, slow, and costly methods of negotiating financial business through company promoters, trust companies, and so forth, in London compared with the immediate and thorough consideration given to them elsewhere by powerful and combined financial and industrial interests.

Another criticism, which has perhaps been particularly provoked by the form of the report of Lord Faringdon's Committee, is that the functions suggested are not such as any bank can or ought properly to undertake. Everyone will agree that they are not such as one of the big deposit banks can undertake. But since it can hardly be argued that they are functions beyond the power of any institution to perform, this criticism resolves itself into the comparatively unimportant question whether the proposed institution should use the name "bank." Whatever the name, it is important that any institution formed should be left a free hand to decide on what functions are or are not incidental to its business. It is not likely to compete unnecessarily with existing institutions on whose support its success will largely depend, and the more "bread-and-butter business" it can properly secure the better.

Other criticisms will be rather in the nature of pointing out the difficulties of the undertaking, difficulties the existence of which no one wishes to deny. It will be said that no such institution will be able to earn a sufficient return on its capital. That surely will depend on the prosperity or otherwise of British industry. Since such an institution is not likely to accept deposits at call, at any rate on any large scale, it would be idle to suppose that it can

The Financing of Industry after the War

earn anything approaching the profits made by a joint stock bank with a paid-up capital of £5,000,000 and deposits of £150,000,000. Indeed, it has already been urged that high returns should not be looked for, at first at any rate, especially as it would be imperative that strong reserves should be built up as soon as possible. It may be noted that while British joint stock banks earn from 15 to 20 per cent. and over, German banks earn an average of 7 to 8 per cent.

What is undoubtedly essential to success is that British industry should be as prosperous as the industry of other countries. If management is unenterprising, if labour restricts output, if excessive taxes dishearten initiative, or if foreign dumping or artificial aid to exports are allowed to keep British industry "unhealthy," then it will undoubtedly be difficult to persuade the investor that British industrial securities possess any attraction. But if, as is to be hoped, all these handicaps are removed, and British industry is able to build itself up on firm foundations, there is no reason why it should not prosper, and, if industry is prosperous, any institution engaged in financing it should find the means of prospering with it.

Lastly, it is argued that the men capable of managing such an institution do not exist in this country. It is true that success or failure will be decided in the main by management, and that any such institution, if it were managed by men without wide knowledge both of international finance and of industrial conditions generally, might not rise above the level of an ordinary finance company. It is unfortunately true also that the Englishmen are few who have the thorough acquaintance which many Germans have of international banking, of languages, and of other financial centres. That this should be so is indeed a proof of the limitations of our present system. Even as it is, however, one can hardly admit that England is so bankrupt of ability that the men cannot be found. It is interesting to note that the National City Bank of New York has with characteristic American energy put in motion a big

Industry and Finance

scheme for training a large number of Americans in international banking and in a knowledge of foreign countries. Other American institutions are following suit. It is work which we also must take up with thoroughness.

In conclusion, then, it may be said that while no one who has had experience of industrial financing is likely to underrate the difficulties involved, a consideration of the above criticisms does not lead one to the conviction that any insuperable obstacles exist to some such development as is suggested. While it is education and brains, the adaptation of knowledge and science to practice which are what our industry mainly needs, and while the main responsibility for the future of industry lies with the leaders of industry themselves, there are good grounds for supposing that the efficiency of our wealth-production, on which the economic health of the whole community depends, would at least be assisted by the co-operation of finance and industry in some manner more effective than that which has been provided by the existing machinery of the City of London.

LABOUR AND RECONSTRUCTION

I. INDUSTRIAL UNREST

BEFORE the war all the signs pointed to the approach of serious industrial trouble. The expenditure of the chief Unions on industrial disputes had risen from an average of £150,000 a year for the years 1904-7 to a sum of £1,350,000 for 1913 alone. And the gospel of direct action, of effecting reform by means of the general strike, which greatly facilitated the triple alliance of miners, railway men, and transport workers, consummated in 1915, was making rapid headway. Capital and Labour, indeed, were set in positions irreconcilable with one another, and both seemed to be preparing for what they regarded as war to the knife.

The outbreak of the war in Europe caused an immediate truce, and for the first months after August, 1914, the industrial world enjoyed unusual peace in face of the greater dangers outside. But the immense demand for munitions, the rise in the cost of living, and the shortage of labour through enlistment in the army, rendered necessary a transformation of the national industries which brought the old quarrels to the surface once more. There followed a period of acute difficulty which manifested itself in strikes, in opposition to compulsory military service, and in resistance to the removal of a multitude of minor obstacles which stood in the way of putting the nation on to a war basis. We need not re-examine the history of how these difficulties were overcome. Fortunately, except

Labour and Reconstruction

for problems connected with the rise in the cost of living, they have been overcome by working agreements which will operate for the duration of the war.

But if the war has not solved the capital and labour problem it has produced one far-reaching effect. Whereas three years ago everybody regarded industrial strife with a kind of fatalism, there has now grown up a general conviction that it is an intolerable evil, which must somehow or other be eradicated from the body politic. And this attitude of mind has begun to spring up not only among industrialists themselves, but among the general public as well. Public opinion has realised as never before that industrial warfare not only injures employer and employed, but reacts no less disastrously on the community. Not the least important of the lessons of the war is the growing conviction that the community must grapple with the causes of the hatred and suspicion and unrest which have been gnawing at its vitals ever since the industrial revolution took place.

What are, therefore, the causes of industrial unrest ? There are many explanations, but fundamentally they seem to resolve themselves down to two. In mediæval days manufacture was chiefly conducted by guilds of skilled craftsmen, who owned the means of production, and who sold the product of their own labour. The capital outlay necessary to conduct manufacture in these days was inconsiderable, and businesses were so small that journeymen and apprentices usually worked together at their trade. Mechanical invention destroyed this system. As the means of production became more elaborate and more organised, the individual craftsman producer disappeared, and the capitalist who had money to construct a factory and to pay many hired workers, and so produce more cheaply than his rival, took his place.

It is out of these changed conditions that modern industrial unrest has sprung. The first effect of the new methods was the rapid widening of the gulf between

Industrial Unrest

employer and employed. The employer became more and more preoccupied with the problem of management, with the mechanical side of building up and managing the industry, with that function of higher direction, which includes initiative, organising ability, judgment in buying and selling, and on which the successful conduct of large scale industry increasingly depends. And in his preoccupations as a manager he began to lose sight of the human aspect of industry. Business is largely a matter of buying in the cheapest market and selling in the dearest, and early in the days of capitalist production the employer began to treat his now numerous employés not so much as fellow human beings for whose benefit the industry was being conducted equally with his own, but as part of the machinery of industry to be bought for as low wages as possible. On the other hand, the work of the employé became ever more mechanical, and more specialised. He became farther and farther removed from the problems of management, until his main preoccupation became to protect his own conditions of life and to secure higher wages out of the employer, by combination or any other means he could contrive, regardless of the effect on the business as a whole. Thus industry came to be founded not on co-operation between employer and employed for their mutual advantage, but on warfare between them for the division of the product. Each side, struggling for its own hand, became increasingly blind to the point of view and needs of the other, increasingly suspicious and distrustful of the other, and farther and farther away from the only solution of the trouble, the vigorous conduct of industry by all for the benefit of all. From this divorce between the two partners in industry almost all industrial evils have sprung.

This evil was aggravated by the failure of the community. Up to the middle of the eighteenth century the community had always regarded itself as being responsible for seeing that adequate wages and proper conditions of work were

Labour and Reconstruction

secured to its citizens—*e.g.*, the statute of apprentices. In consequence it was customary for labourers and artisans to appeal to the magistrates to determine what were fair wages and proper conditions of employment, when they regarded the rates paid by employers as too low. But in the early days of the industrial revolution Parliament abdicated its responsibilities. As new machinery was invented, labour demanded the Parliamentary prohibition of these new methods on the ground that they caused local unemployment, or at least the statutory enforcement of ancient practices which were inconsistent with the new methods and increased output. Parliament, rightly enough, refused to forbid the use of machinery, but, possessed by the *laissez faire* economic doctrines of the day, it went on to abandon altogether its responsibility for safeguarding the conditions and the standards of living of its own citizens, and left the workers to look after themselves as best they could. And, not content with this, when the working classes began to strike and agitate as the only methods left to them of protecting their standards of life, it went on to attack trade unionism as an illegal combination in restraint of trade. The consequences of this attitude were apparent not only in the evils of the industrial revolution but also in the general acquiescence in the system of private industrial war which ensued. The community came to regard this state of affairs as natural or at least inevitable, and confined its interference mainly to keeping the ring and seeing that the law was not broken during the continuous quarrels between the two. It seemed to take for granted that all engaged in industry were selfishly striving for themselves, that in this struggle the weak must go to the wall, and that the state was only concerned to see that the contest did not degenerate into violence and bloodshed.

The Labour Point of View

II. THE LABOUR POINT OF VIEW

AGAINST this state of affairs the working class have always been in revolt. Having been for nearly two hundred years the bottom dog, they have been far more active in challenging the existing order and suggesting ways out of it than the more fortunate governing classes.

In early days the labour world was mainly concerned with organising itself into trades unions, partly for sickness and unemployment and other benefit purposes, and partly for the purpose of fighting for higher wages and better conditions of work by collective instead of individual bargaining. How important the Trade Union movement has now become is shown in the Congress held at Birmingham this year. This Congress, the forty-eighth general assembly of delegates of the Trade Union world, contained 668 delegates—almost exactly the numbers of the House of Commons—representing 2,850,000 members. The total number of Trade Unionists in the United Kingdom is about 4,000,000. In 1913 the income of the chief Unions amounted to about £3,500,000 and their accumulated funds to about £5,000,000. Another indication of the strength of the working-class movement is the co-operative movement. The total retail sales of the movement now reach nearly £90,000,000 per annum; their members are more than 3,000,000, and their share and loan capital exceeds £50,000,000, which would be still greater but for the legal limit fixed for the holding of individuals.

But the interests of the labour world have not been confined to organising the Trade Union movement. They have also been centred on the problem of reforming the whole system of conducting industry which came into existence with the industrial revolution. What has made the Labour movement a political movement and not a mere industrial movement, what unites it not only in each country

Labour and Reconstruction

but all over the world in international federations, is the conviction that the capitalist system as it exists to-day is fundamentally unsound and immoral.

The main point of view of the labour world is simple and clear. It sets the human value of the individual worker first, and subordinates every other end of national policy to that of increasing the well-being and equalising and widening the opportunities for every citizen within the State. In its eyes national prosperity must be judged not by banking returns, national wealth, or armaments, but primarily by the conditions and standards of life and work of all the people. Trade, finance, and power are all important in their way, but they are not ends in themselves as they are sometimes loosely taken to be, but means to the true end—the greater happiness and well-being of the whole people. This end the capitalist system in its present form does not achieve. On the one hand the majority of the workers of the British Isles for the last century have been underpaid, underfed, and badly housed. As a result of combination and hard warfare, the skilled artisans have won for themselves a standard of life above the minimum standard of living, but the great bulk of the workers have not. They are always either below the level of proper subsistence or in danger of falling below it. On the other hand the wealth of the rich has grown fabulously. How immense is the volume of wealth possessed by the few has only been revealed by the war. And all this has been produced out of the profits of industry, or the investment of those profits in developing countries overseas. There is something fundamentally wrong, says Labour, about a system which accumulates wealth in this colossal fashion at one end of the scale while keeping immense numbers of men, women, and children starving at the other. Somehow or other it must be transformed, for it shows no signs of transforming itself. And it must be transformed by revolutionary means if peaceful methods fail, for the one essential thing is that it should not go on.

The Labour Point of View

Reaction against the evils of the capitalist system has given birth to many proposals for reform, socialistic and otherwise. None of these constructive creeds has an overwhelming following in the British Isles. But the Labour world is united none the less, and it is coming more and more to concentrate against the evils of what it calls "private profiteering" and "feudalism" in industry. "Profiteering" is susceptible of many interpretations, but, neglecting remoter visions and such obvious evils as the speculative holding up of food supplies, the attack upon it by the best and most sober labourites would seem to amount to this : Labour says it is quite wrong that the primary motive of industry should be private profit. Industry ought to be conducted primarily in the interests of the well-being of the human beings who give their labour, mental and manual, to it. That is the most important aspect of industry from the social and national point of view. Yet it is not the point of view which rules in industry to-day. On the whole, industries are started and managed in order to make profits for owners of capital. And their success or otherwise is judged not by the economic standard of life which they give to those who work in them, but by the amount of profit which they distribute to owners of capital, who do no other work except to lend their money to the business. This, says Labour, is the wrong point of view. Labour does not contend that industries should not be made to pay. They must clearly be well managed so that they shall pay proper dividends and put aside enough to depreciation and betterment as well, for otherwise they will collapse. But the dividend they ought to aim at distributing ought to include not only adequate interest on capital, but better standards of living for all connected with the industry, and a better and cheaper product for the community as well. There can, indeed, says Labour, be no solution of the industrial problem until the dominant motive which underlies the promotion and conduct of industry is no longer private profit but

Labour and Reconstruction

the interest of the community, and the social well-being of all those engaged in the business.

Similarly with "feudalism." Industrial feudalism means the control of industry and of all those engaged in it by the owner of capital, and is the complement to "private profiteering." Labour does not object to direction. Industry manifestly cannot flourish or exist unless everybody acts under the orders of a single management which is responsible for its successful conduct. But it does contend that the point of view of that management of industry is very unlikely to change from that of making profits to that of promoting the welfare of all engaged in it, so long as it is responsible to the owner of capital alone. Just as in the political sphere the feudal control of the citizen by the baron or the king ended in the welfare of the individual being subordinated to the glory or power or wealth of the "feudalist," so, inevitably, has the control of industry by the "capitalist barons" ended in the welfare of those who spend their lives in it being subordinated to the profit of the owner of capital.

Speaking very broadly, this may be said to be the point of view of the industrial masses who for nearly two centuries have experienced the evils—the want and suffering and starvation and death—which have been the by-product of the existing economic order. The Labour world throws up endless panaceas, from universal nationalisation to the abolition of interest. And, unfortunately, it is almost always the views of the extremists which find their way into publicity. But, so far as it is possible to analyse the highest common denominator of the best Labour opinion, it would seem to be a common determination to eradicate the predominance of the private profit motive from the control of industry and to replace it by that of the public welfare.

The Trade Union Congress

III. THE TRADE UNION CONGRESS

IN view of the growing strength of the Labour movement and of the general desire to grapple with the causes of industrial unrest the meeting of the Trade Union Congress this year was of peculiar interest. For it gave some indication of the reaction of Labour opinion to the new facts and conditions created by the war and of the angle from which they are likely to approach the problem of industrial reconstruction.

The proceedings of the Congress itself are somewhat misleading. As a corporate body the Congress has practically no responsibility. The resolutions it passes on general subjects are no more than pious expressions of opinion, with no executive effect. Many of them are clearly introduced for window-dressing purposes, or get through because it is not worth while to dispute them. They have often a very one-sided character because there is no opposition present to put forward the point of view either of the employer or the Government. It is, therefore, to the general trend and reception of the speeches, rather than to the resolutions themselves, that we must look as the truest guide of the movement of opinion in that intense democratic life of the Trade Union branches of which the Congress is the outward and visible manifestation.

So far as the actual proceedings were concerned the most important resolutions of a general character demanded immediate action to keep down the cost of living and to limit the speculative inflation of food prices, the restoration of Trade Union rights after the war, an all-round forty-eight hour working week, the conscription of wealth, an increase in the scope of the Old-Age Pensions Act, better facilities for education, the abolition of the Military Conscription Act, and the maintenance of the

Labour and Reconstruction

standard of life and of a normal working day after the war. There was a strong body of opinion in favour of the nationalisation of railways, canals, and mines. The Congress declared emphatically against participating in any international congress with Trade Union delegates from Germany and Austria until after peace had been signed. There was a cautious vote in favour of protecting British industry from the competition of foreign goods made under sweated conditions. There was also some discussion about the employment of women, but on this, as on the question of craft *versus* industrial unionism, the Congress was manifestly anxious to avoid a public discussion. The best indication of the practical policy towards which labour opinion is moving is to be found in the resolution submitted by the Parliamentary Committee—the executive of the Congress—and carried unanimously almost without discussion. It reads as follows :

“ NATIONAL ORGANISATION OF INDUSTRY

“ The war has proved beyond all doubt the national weakness and danger of our pre-war industrial system and the need for immediate reform.

“ Our vital industries should no longer be left in the hands of capitalists whose first object is profits, and workers whose first object is wages. Such industries should be regulated by the State in the national interest.

“ MINISTER OF LABOUR AND INDUSTRY

“ A Minister of Labour and Industry shall be appointed whose functions shall be to control and organise, as follows :

“ 1. *Health of the Workers.*—The wage-earners, being the largest and most important asset of the nation, should have the first care of the nation, therefore all workshops

The Trade Union Congress

and factories shall conform to a national standard of sanitation calculated to ensure, as far as possible the safety and health of the workers employed.

“ 2. *Housing.* — The provision of adequate sanitary housing accommodation, where such is not already obtainable at reasonable rates. Such houses, where possible, should be self-contained, with gardens.

“ 3. *Agriculture and Food Supply.*—

“ (a) National control and direction of use of all land.

“ (b) Security of tenure for tenants. Land and Rent Courts. Compensation for improvements.

“ (c) Shipping. The State to have first claim on the use of all British ships, at rates which will yield a fixed national standard of profit.

“ (d) Nationally owned and controlled storehouses with reserves of grain, frozen meat, dried fish, and all kinds of necessary storable food.

“ 4. *War Munitions, Ships, Railways, Mines, etc.*—

“ (a) Complete national ownership and production of all war material and ships of war, including the auxiliary ships necessary for national emergencies.

“ (b) National ownership and control of all railways, waterways, and mines.” *

The keynote to the Congress was well struck in the President's (Mr. H. Gosling) opening address. After pointing to the difficulties which would face labour immediately after the war, “ problems of women's labour, of the introduction of unapprenticed men to the skilled trades, of piece-work rates—in the settlement of which Trade Unionists will have to be consulted, and must be ready to apply all their technical knowledge and practical wisdom in order to reach a satisfactory conclusion,” he went on :

* Agenda Trade Union Congress, p. 24 (3).

Labour and Reconstruction

"But underlying all these difficulties will be that of the fear of unemployment and the threat of a reduction of the standard rates. If the Government allows unemployment to become prevalent—if the employers refuse to stay their reduction notices—any solution of these problems will be almost hopeless. The key to the after-war position is the prevention of unemployment, and the Government holds in its hand that key.

"But we hope for something better than a mere avoidance of unemployment and strikes. We are tired of war in the industrial field. The British workman cannot quietly submit to an autocratic government of the conditions of his own life. He will not take "Prussianism" lying down, even in the dock, the factory, or the mine. Would it not be possible for the employers of this country, on the conclusion of peace, when we have rid ourselves of the restrictive legislation to which we have submitted for war purposes, to agree to put their businesses on a new footing by admitting the workmen to some participation, not in profits, but in control? We workmen do not ask that we should be admitted to any share in what is essentially the employer's own business—that is, in those matters which do not concern us directly in the industry or employment in which we may be engaged. We do not seek to sit on the Board of Directors, or to interfere with the buying of materials, or with the selling of the product. But in the daily management of the employment in which we spend our working lives, in the atmosphere and under the conditions in which we have to work, in the hours of beginning and ending work, in the conditions of remuneration, and even in the manners and practices of the foremen with whom we have to be in contact, in all these matters we feel that we, as workmen, have a right to a voice—even to an equal voice—with the management itself. Believe me, we shall never get any lasting Industrial Peace except on the lines of Industrial Democracy." *

* Trade Union Congress, Presidential Address, pp. 6, 7.

The Trade Union Congress

The note of this speech is clearly moderation. And this was also the note of the Congress. It is manifest that as the result of the experience of war, the Labour world, like everybody else, is anxious for reconstruction by peaceful means.

It is, indeed, even more clearly indicated in the resolution passed in favour of entering into negotiations with the employers, which reads as follows :

" In view of the importance of maintaining the trade and commerce of the country in the period immediately following the declaration of peace, when industrial adjustments of all kinds will require to be made, this Congress is of the opinion that every effort should be put forth to preserve industrial peace, and thereby assist to secure the material prosperity of the nation after the war.

" That, for the purpose of removing causes of friction likely to lead to industrial disturbance, the Parliamentary Committee is hereby instructed to approach the Government and the Employers' Parliamentary Association with the object of discussing terms that will secure the end in view for a period of three years, such terms to include the acceptance of the following proposals :

" 1. Membership of a Trade Union to be compulsory upon all workers.

" 2. Compulsory forty-eight hour working week in every occupation.

" 3. Compulsory minimum wage of 30s. for all adult workers.

" 4. No reduction of present wages or increase in working hours.

" 5. Complete recognition by employers of Trade Unions and all agreements entered into between the unions and employers' associations.

" 6. State unemployment pay for men and women out of work.

" 7. Settlement by the unions of the conditions of women's labour after the war."

Labour and Reconstruction

Being a gathering of practical men and women, mostly working Trade Union secretaries, the Congress was concerned rather with the immediate steps towards an improvement in industrial conditions than with ultimate solutions of the relations between Capital and Labour. And it was obvious that the problem on which the minds of the members were chiefly concentrated was that of reconstruction after the war. The point of view from which they will approach it is clear. They will endeavour to secure, by every means in their power, that after the war the industrial life of the community shall be built on the foundation of such wages and hours and conditions of work as will enable every worker to maintain a cleanly and comfortable home, and to have leisure sufficient to enable him to continue his education and to help to bring up his children as useful and responsible members of the community. And the practical form in which this principle will probably take shape will be that reconstruction should be based on the maintenance of the highest recent level of real wages, the introduction of a minimum wage of about 30s. a week, and the establishment of a national normal day based on a forty-eight hour working week, without overtime save in the most exceptional emergencies.

IV. THE PROBLEM OF RECONSTRUCTION

WITH this ideal no public-spirited citizen can possibly disagree. The securing of an adequate minimum standard of life would at one stroke abolish half of the problems of poverty and the slum, and would benefit the children to a degree which only those who have marked the improvement in the appearance and clothing of children all over the country since the war began will realise. And a normal working day is almost a necessary condition for the effective working of our constitution,

The Problem of Reconstruction

for otherwise the elector, who in the last resort decides upon the broad policy to be followed in the intricate and momentous problems of the modern world, cannot fit himself to cast his vote as he should. No greater blessing could come out of the war than that we should build the whole work of reconstruction upon the foundation of a permanently higher standard of living for all engaged in productive industry, and especially for the lower-paid workers. The real problem is to discover the means by which it can be done.

It was at this point that the Trade Union Congress manifested its real weakness. Dogged by that tradition which, as we have seen, inevitably comes from being divorced from any knowledge of or share in responsibility for the problems of industrial management, the Congress made no adequate attempt to tackle the problem for itself. Its members were content to leave the Government and the capitalist to find the way, or to recommend such easy but illusory expedients as nationalisation, and the conscription of capital, or to point to the vast resources of the community as revealed by the daily expenditure on the war as proof that the beneficent reforms they suggested could easily be carried out and paid for if only the will were there. Some of these ideas have much to recommend them as general principles. Some of them may well be realised in the millennium which will be reached after years of those smaller measures which are the foundation of all lasting reform. But they do not meet the practical problem of the situation as it will exist immediately after the war. That practical problem is how to enable industry to find employment for all on the basis of higher wages and shorter hours than were in force before the war. It would seem to be worth while, therefore, to give some thought to this question.

The problem of creating permanently better conditions for the working classes would seem to resolve itself down into two things—increased production and the better

Labour and Reconstruction

higher direction of industry. These conditions cannot be created by distributing the accumulated wealth of the rich in the form of higher wages. Not only is most of that wealth not realisable in the form of money, but to distribute capital as working expenses is the shortest road to national suicide. Nor can they be created by diminishing the rate of interest paid in the national staple industries. Excessive profits are often made by monopolies or new industries, which are usually small industries, and capital has often been "watered" in the past. But in the main staples which support the bulk of the industrial population the rate of interest earned in normal times is not excessive nor more than sufficient to enable the industry to obtain those fresh supplies of capital which are constantly required if it is to keep up to date and survive in the competition with rivals at home or abroad. The real evil is not the rate of interest, but the concentration of excessive quantities of capital in a few hands. And that evil can only be dealt with by the State itself through income taxes, death duties, and other means of limiting or redistributing capital holdings. So far indeed from its being possible to reduce the rate of interest on capital after the war, it will probably rise. For the demand for capital after the war will be immense, the interest rate is largely an international rate, and capital will only be obtainable in a market in which the demand will exceed the supply. Further, about four-fifths of the production of every year is consumed in that year. If, therefore, the general level of consumption is to be raised the level of production must be raised also. The truth is that the standard of production before the war was wholly inadequate. It neither provided adequate pay or adequate employment for labour, nor, despite all appearances, did it, on the whole, pay excessive profits to capital, for these profits were not sufficient to prevent the greater part of the national savings, badly needed at home, from being attracted by the far higher rates of profit obtainable abroad. Hence, whatever the far future may bring forth,

The Problem of Reconstruction

the first plank in the practical politics of reconstruction would seem to be to increase production, so that the annual national dividend may be sufficient both to pay the market rate on capital and to pay high wages as well.

Increased production is a matter both for employer and employed. It is practically impossible without the co-operation of Labour. The foundation alike of industrial prosperity and national well-being can only be a good day's work for a good day's pay. The continuance of ca' canny, the want of adaptability caused by Trade Union regulations, and the general restriction of output, if they continue after the war, will make the payment of high wages impossible. But increased production is no less a matter for the employer. The evils caused by Trade Union policy have been duplicated by conservatism and unenterprising management among the captains of industry. We need not discuss this question here, for it is dealt with in another article in this issue.* If every industry could command the inventive genius, the scientific research, the organising, manufacturing and selling capacity, the public spirit and the hard work of the Ford motor car company and its employees, there would not be much difficulty about increasing production, and with it wages and dividends, and giving low prices to the consumer as well. Increased output, indeed, means a change in all classes, for it means the growth of the gospel of work. The love of ease, and the belief that happiness lies in having no work to do, was strong in all classes before the war. Even now people assume that it will be possible to go back to pre-war standards. That can never be. Faced by necessity and the example of the Germans, we have begun to see how little we understood what work meant. Work does not mean longer hours, or more fatigue. It means more initiative, and more enterprise, and joy in doing one's work perfectly, however simple it may be, because it is one's own contribution towards the national well-

* See *Industry and Finance*, Section I.

Labour and Reconstruction

being. We shall never get the right idea of work until we see that at bottom it is public service which everyone ought to perform, rich and poor alike. We have found something of this spirit during the war. We shall only build a happier world if we retain it afterwards.

But increased output as the result of better work and better management deals with only half the problem. Probably the greatest difficulty of all in the way of maintaining higher standards of living all round is that aspect of the higher direction of industry which is concerned with finding markets. The main reason why the working classes, and especially those who were formerly worst off, are, on the whole, better off than they were before the war, is because the war market for industrial and agricultural products at high prices is practically unlimited, because manufactories can therefore flourish despite high wages, and because the demand for labour is greater than the supply. If the effective demand for goods was unlimited after the war nothing would be easier than to work a revolution in the economic condition of the working classes in a very short space of time. But under present-day conditions the effective demand is not unlimited, and it is this fact which is the governing fact of the whole process of industry. For it is no use producing goods for which no market can be found, or at a cost which involves a loss on every product sold. The President of the Trade Union Congress rightly said that the most important thing of all from the point of view of Labour was the prevention of unemployment after the war. That is only another way of saying that the most important thing will be to find markets. They are, indeed, but two aspects of one thing. There can be no real security for the individual worker until there is steady employment at adequate wages. And there can be no steady employment at adequate wages until there is security for steady markets at adequate prices.

Demand, of course, is in essence unlimited. Nobody ever is supplied with all he wants. There are always things

The Problem of Reconstruction

which he needs or would like if he could get them. But this demand to-day is not effective, and the most urgent problem of the time is to adjust supply and demand so that there shall not be millions of people anxious for goods and services at the same time as thousands are starving because they can find no work to do. The perfect adjustment of supply and demand, however, is not very easy. It certainly cannot be accomplished by slap-dash expedients. It requires almost infinite research and industry. It involves accurate and continuous investigation into markets, the sources of raw material, the supplies of labour, all over the world. It means the most careful consideration of the balance between consumption and the saving required to create the capital necessary for the renewal and extension of industrial plant and buildings. High wages, for instance, are one of the most important factors in creating and maintaining a large home demand. It means the provision of adequate means of transportation and the intelligent and far-sighted adjustment of railway and steamship rates. It is concerned with national and international fiscal policy. It involves great flexibility and adaptability both in the management and in the working man, so that methods and products may be quickly changed to suit changes in demand and so on. All these matters settle themselves at haphazard to-day under a faulty application of the law of supply and demand. If we are to have really better times it will only be because order has been consciously and intelligently introduced into this chaos of ignorance and competition.

Reconstruction, therefore, on the admirable lines desired by Labour depends in part upon better work from the worker and better management from the employer, but still more on the better direction of industry from the point of view of adjusting supply and demand. If we are really to have higher wages and a normal day, not only for our pre-war population but also for the vast numbers of new workers which the war, or high taxation after the war, will force into

Labour and Reconstruction

the labour market, it will never come from measures for taxing the rich, or redistributing accumulated wealth, however desirable and urgent such measures may be on other grounds; it will only be because the difficulties in the way of increasing production and finding markets have been successfully overcome. And seeing how difficult and complicated the process of industry is, it is impossible that these difficulties should be overcome so long as the partners in industry are quarrelling among themselves. Successful industry requires constant initiative, constant improvement of method, an intimate knowledge of conditions in every stage from the production of raw material in one part of the globe to the sale of the finished product in another. This delicate work, on which the prosperity not only of the capitalist and the workers, but of the community also depends, cannot be rapidly and efficiently conducted in the midst of intestinal strife. The preliminary to any reconstruction of our industrial life on a higher economic level is the active co-operation of employer and employed throughout all the complicated processes of buying, manufacture and sale of which modern industry consists.

V. THE COMMONWEALTH OF INDUSTRY

HOW is the reconciliation necessary to this co-operation to be effected? It would seem to be by the introduction not so much of changed organisation, though that may follow, but of a new point of view. In the first section of this article we said that the ultimate causes of industrial unrest were the divorce between employer and employed and the acquiescence of the State in the system of private industrial war. The cure for these evils would seem to have been supplied by the war. As is now patent to everybody, industry is public service, for on it the national well-being depends. And it is by looking

The Commonwealth of Industry

at it from the point of view of its being public service that the solution of the problem comes in sight.

On the one hand, if industry is public service, the main motive of the employer ought not to be private profit. The employer in reality occupies a position of high public trust, for he is responsible for an industry which is not only a source of national supply, but the means whereby a great many citizens and their families gain their living. From the national point of view he is not a successful manager until he conducts the industry in such a way that not only is he able to pay such dividends on capital that he can obtain whatever supplies of fresh capital are required for the conduct or expansion of the industry, but is able to pay wages sufficient to enable everybody employed in it to live as a responsible citizen should. Further, before paying inordinate dividends either to Capital or Labour he ought to consider whether he ought not to reduce the price of his product to the public. Directly the employer recognises that he is in essence a public servant, and that, while he is entitled to adequate remuneration and capital to adequate interest, the well-being of all his employees is, from the national point of view, the most important of the many considerations of which he has to take account, the way to reconciliation will be plain.

On the other hand, the main motive of the employé ought to be to give the best work possible during an adequate working day. He also is a public servant, contributing his mite to the work on which the community lives and entitled to wages and hours which will enable him to acquit himself in other ways as a responsible citizen, provided he works to the utmost of his ability during working hours.

On this basis, and on this basis alone, does it appear possible to effect such a reconciliation between employers and employed that the work of reconstruction will be undertaken in a spirit of zealous co-operation and not of suspicion and conflict. It does not solve all the difficulties

Labour and Reconstruction

of the industrial situation, but it affords the starting point from which they can be successfully approached. It does not, for instance, provide for that industrial democracy which the Chairman of the Trade Union Congress said was the only condition of lasting industrial peace. But industrial democracy implies a far more fundamental revolution than Mr. Gosling appeared to realise. Democracy in industry carries with it the same implications as it does in government. It means that Labour must shoulder the whole responsibility for industry. Industry is one indivisible whole, and, in the long run, the final responsibility for it must rest in one set of hands. The capitalist can no more be responsible for one-half of the business and Labour for the other than Cabinet and Opposition can each control a separate share of public administration. Industrial democracy in the true meaning of the word can only mean that the management will be appointed by and responsible to Labour, who will thus be responsible not only for interest on the capital it borrows, but for liabilities undertaken, orders given, and for the whole complicated process of buying, producing and selling from start to finish. According to Mr. Gosling, Labour is anxious to avoid shouldering this responsibility. So long as that is so, the capitalist must continue to be responsible for the conduct of industry as he is to-day, and Labour must work under his direction. There can be no industrial democracy until Labour is willing and able to shoulder the responsibilities as well as the privileges of management. The road of advance is not to create two independent authorities in industry, but to make the one responsible authority representative of all concerned in industry.

But if industrial democracy, the final solution of the industrial problem, is not yet in sight, the conversion of industry from a conflict into a commonwealth is immediately possible. And it becomes possible directly the motive of public service is loyally accepted by both sides. Once that is done, we shall see a second industrial revolu-

The Commonwealth of Industry

tion, not less far-reaching, but far more beneficent in its effects, than the first. If all the energy and enterprise and enthusiasm which are put into the business of warfare were applied to increasing the efficiency of industry itself, and heightening the conditions of living of all those engaged in it, the creation and diffusion of wealth would be such that in an astonishingly short space of time the worst and most humiliating of our national problems—unemployment, underfeeding, the slums, and the workhouses—would disappear, and we should have not only a nation of adequately provided families, but ample funds for works of public utility as well.

The greatest single obstacle in the way of a good start towards better days is the accumulated grievances which each has against the other. The employer, struggling with the immense difficulties of management, of finding markets and reducing costs in order to sell successfully in them, finds himself thwarted and hindered by Labour at every stage. Organised Labour seems to him to be ineradicably unreasonable, unpatriotic, and self-seeking, and utterly regardless of the problem of managing the industries on which the national welfare depends and of which he feels himself the only responsible guardian. Labour, on the other hand, struggling with the problem of living in a country where unemployment has been rife, and low wages prevalent in many trades, tends to regard employers as a class of people of exceptional heartlessness and greed; as men who scruple not to reduce wages or sack employees regardless of the appalling effects in working-class homes, in order that they may make sure of profits for themselves. In consequence it settles down into an attitude of settled hostility, and regards restriction of output, strikes, and all the other practices of which the employer complains, as legitimate methods by which to maintain the standard of life and protect itself against exploitation. This sea of traditional suspicion and ill-will is fed by a daily trickle of new grievances created by

Labour and Reconstruction

bad employers and unscrupulous or ignorant agitators. And thus we get the two sides drawn up in parallel armies, each so suspicious of the other and so set in its belief in the supreme efficacy of force that negotiation is more like the diplomacy of the mailed fist than conference between partners in the same business.

If we are really to reconstruct our country this world of suspicion and hatred must be left behind. It will do no good to remember who was responsible for the evils in the past, or the long catalogue of mistakes on both sides. The only thing is to set to work to build the future, with better work from one side and better pay from the other as the starting point. Fortunately the omens are bright. As we become more conscious of the sacrifices and endurance of those who are fighting our battles abroad, so also grows the determination that nothing must be allowed to stand in the way of building up a happier and more equal commonwealth for them to come back to after the war is over. And part of this commonwealth must be the world of industry. We shall never be a happy country so long as there is warfare, even bloodless warfare, in our midst. And we shall never get rid of that warfare until industry itself becomes a commonwealth, conducted with perfect work from all, for the benefit of all.

THE NATIVE STATES IN INDIA

At the capital of a small Native State in India, there stands, facing the residence of the Political Officer, a lofty pillar, surmounted by the nude figure of a seated "fakir" with one arm slightly raised. The column and monument are of later date than the house which faces them and were erected by a chief who, except that he was a Rajput, might have sat for Sir Alfred Lyall's portrait of the "Old Pindari."

"Riding a Dekhani charger
With the saddle cloth gold laced
And a Persian sword, and a twelve foot spear,
And a pistol at his waist."

His State lies far from road and railway, landlocked and inaccessible, and it was only at the close of his long reign that he came into touch with British influence. He was naturally not very anxious to provide a lodging for the Political Officer and when at last he did so, he also raised the curious monument above described. The fakir has one hand raised in a threatening attitude, and it is generally believed that its author intended it to convey a menace or at any rate, a warning; but the young Political Assistant who inhabited the house remained gloriously oblivious to this aspect of the matter.

When, at a later date, a high officer of Government visited the State, and enquired from the Raja what this monstrous monolith might be, he was informed in reply, with Oriental courtesy, that it was merely an emblem of

The Native States in India

piety, pointing the way to Heaven. He was diplomatic enough to accept this answer, though doubtless he reflected that the fakir's endeavour to indicate the sky was but a languid effort; and so the column with its strange and uncouth figure continued to throw its shadow daily over the Lares and Penates of the Political Assistant. The menaces of the fakir have long since lost what little terrors they possessed, especially as, in the whirligig of time, the Political Assistant has moved elsewhere, and his former residence has come to be occupied by the Raja's grandson. The fakir on his high pedestal, if not emblematic of piety, is nevertheless an eloquent symbol of a very interesting stage in the history of the relations between the Government of India and the Native States generally. He represents a period of distrust and suspicion, almost bordering on animosity, towards the British Government, which has long since passed away. But to illustrate and explain this remark, it is necessary to trace, as briefly as possible, the composition of the Native States, and how they came to exist in the Indian Empire to-day.

These States lie, scattered in uneven patches, throughout internal India from Cape Comorin to the Himalayas. If the map of India be coloured red for British India, and white for Native States, the general effect would be a broad band of red all round the sea coast and an irregular tessellated pavement of red and white within. In the central area, the proportion of red and white would be about equal. The sea-board strip of British territory may be assumed to account for one-fifth of the entire map; the area covered by Native States is 675,267 square miles, or about two-fifths of the whole. Thus the four-fifths of India comprised in the tessellated central area is, roughly speaking, equally divided between Native States and British territory.

The Native States include a considerable area of desert, and this is reflected in the Census by a lighter incidence of density in their population than in that of British India, but there are, nevertheless, over 70,000,000 persons, i.e.,

The Native States in India

between one-fifth and one-quarter of the total population of India, who are subjects of Native States and therefore not under the direct administration of the Government of India.

It is apparent from these figures that the Native States form an important item in the body politic of India; and this impression is enhanced when one realizes that, exclusive of Burma, there are over 650 such States, large and small, in diverse stages of development. Many of these are insignificant, but some are strong and powerful, and together they form a group which must obviously have a very great influence for good or for evil, in the country. The majority are in direct relations with the Government of India, but the Government of Bombay has a considerable number, including all those in the Kathiawar peninsula, and the Government of the Punjab has another group, known as the Cis-Sutlej and Trans-Sutlej States, including the important territories of Patiala and Bahawalpur, in their political sphere. There are, besides, a few scattered States in touch with other local Governments such as Travancore, Cooch Behar, Rampur and Manipur, whose political affairs are under the control of the Governments of Madras, Bengal, the United Provinces and Assam respectively.

The question naturally arises "How did this enormous area and this huge population come to remain outside the limits of direct British rule?"

The processes were various, but generally it may be said that all these Native States are the remnants of old India, preserved by arrangement with the British Power; the residue, now fixed and crystallized, from the fluid mass of strife and anarchy which flooded the country in the eighteenth century; the islands which were deliberately left when the tide of British predominance invaded the whole continent. Some of them, like Udaipur and other Chiefs of Rajputana, trace their history back into the mists of antiquity, having survived the rude shock and assault of the Mogul

The Native States in India

power, only to be nearly overwhelmed by the Mahrattas; others, such as Hyderabad, are kingdoms carved out for themselves by successful Mogul Generals; others, like Gwalior and Indore, are the surviving representatives of the Mahratta power; others, like Patiala and Nabha, were established on the ruins of the Sikh domination of the Punjab; a few, of which Kashmir and Mysore are examples, have been created by the British Government in accordance with the deliberate policy of the time. It would be hopeless to endeavour to particularize more closely, but the more important ones have been mentioned above, and the origin of almost all may be traced to one or other of the sources specified.

The majority of the Native States, as now constituted, are of no great antiquity. Towards the close of the eighteenth century, the Mahrattas were still a power to be feared, and "the ghost of the Mogul Empire, sitting crowned among the ruins of its ancient splendour, still reigned over Delhi."

The Rajput States, it is true, boast a lineage which can be followed up to the extreme limits of the record of history, and beyond that, in the regions of myth, they trace their descent through the deified hero, Rama, one branch direct from the Sun, and the other direct from the Moon. The Maharana of Udaipur, as head of the clan, carries enormous personal influence; and his proud descent is symbolized by the sacred standard representing the Sun—the Surjmukhi—which he carries amongst his "insignia." "From the balcony of the Sun (Suraj gokra)," says Tod in the *Annals of Rajasthan*, "the descendant of Rama shows himself in the dark monsoon as the Sun's representative." The Maharaja of Travancore and one or two others of the non-Rajput races can claim great age, also; but the great majority of Native States do not date back earlier than the fifteenth century, and many are far more modern. The house of Baroda, for instance, did not exist when the two East India Companies of London were amalgamated, and that of

The Native States in India

Hyderabad had not been founded fifty years when Clive fought the battle of Plassey.

The connection of these States with the representatives of Great Britain in India may be rapidly sketched. For this purpose, no deep acquaintance with the chequered course of Indian history is required, but the salient facts of contemporary politics at different phases may be broadly outlined for the benefit of readers less familiar with the subject.

The first charter of the London East India Company had been granted by Queen Elizabeth on the last day of the sixteenth century, but for nearly 150 years after that event, the maritime settlements of the English, like those of the Portuguese, the Dutch and the French, had hung, like limpets, on the coasts of the great eastern continent, occupied far more in their mutual trade disputes and jealousies than in engagements and conflicts with Native rulers. In 1687, it is true, the East India Company had dared to embark on a war with the Mogul Emperor, Aurangzeb, but this was a premature and ill-starred stroke of policy—premature, because the Mogul was still little past the zenith of his power; and unsuccessful, for it ended quickly and ignominiously in the issue of a lofty order of pardon from Aurangzeb, who was fortunately engaged at the time in warlike distractions elsewhere, and little imagined that these British traders could ever prove to be foemen worthy of his steel. Nevertheless, the fanaticism of Aurangzeb was dragging the Mogul Empire rapidly along the path to ruin and decay, and his death, in 1707 A.D., was the signal for its slow disintegration. The Portuguese settlements had by that time sunk into insignificance, and France and Holland were so deeply engaged in ruinous wars with their European neighbours that their dependencies in the East found themselves left without help and without resource. The Dutch settlements scarcely recovered from the strain; but by 1744 A.D., the French, by their energy and enterprise, had recovered most of the ground

The Native States in India

which they had lost. Thus when France declared war against England in that year, the rival Companies of the two countries stood face to face in India, both powerful, both strongly supported from home, but both holding their ground by a precarious title. They still went through the form of obtaining their charters for each new point of vantage from the Mogul Emperor, but the Mogul dominion was obviously crumbling to pieces—and no one could foresee on whom its mantle would fall. New powers and principalities were daily emerging from the chaos; and the European settlers, finding the Mogul sheet-anchor beginning to drag, were compelled, for their own safety, to cast about for whatever might hold out the promise of the safest anchorage in future. It is not surprising, therefore, that during the next fifty years most of the Native States emerged in their present form; nor in view of the sudden growth of European military prestige in India, need we wonder at the rapid process of Empire-building which marked this period. But it is remarkable that this process is intimately connected with the bitter spirit of rivalry and race-hatred, which was so conspicuous in the latter half of the eighteenth century, between the French and English nations. Whenever the forces generated by this spirit rose to the point of explosion, self-protection compelled the acquisition of greater interests and responsibilities; whenever the fever passed, there was a quick recurrence to the policy of non-interference and self-effacement, and a corresponding lull in the process of absorption.

A few illustrations of this remark will serve also to explain the method by which the Native States themselves gradually came under the ægis of the British Government.

In 1744, when war broke out between England and France the most conspicuous European figure in India was that of Dupleix. This patriotic Frenchman, towering head and shoulders above all his European contemporaries, undoubtedly dreamed of establishing a great French Empire in the East. Before his arrival, it had been the standing rule

The Native States in India

and custom among all European settlements in India to observe an attitude of strict neutrality in the quarrels of Oriental rulers. Dupleix boldly discarded this rule. His predecessor, M. Dumas, had it is true, on one occasion secured a valuable strip of territory by supplying money, gunpowder and warlike stores to a pretender to the throne of Tanjore, and on another occasion had given shelter to the family of the Nawab of the Carnatic in Pondicherry, only saving that town from the wrath of the Mahrattas by a timely present of forty bottles of Nantes cordials to their leader. But these were temporary aberrations. With Dupleix actions of this nature were the springs of a settled policy. Not content with the dull operations of commerce, he aspired to make France supreme among the European nations in India; for her aggrandizement, he was ready to take a hand in the hazardous game of Oriental politics, and to enter into definite treaties and alliances with the Native Princes. When the English fleet threatened Pondicherry, he induced the Nawab of the Carnatic to exert his authority to forbid hostilities within his jurisdiction; he was restrained by no such scruples when he himself besieged and took Madras. He pacified the Nawab by promising to hand over the town to him, but coolly disregarded this engagement, when it proved inconvenient, and finally, when the Nawab invested the town, beat him off with heavy loss. The English had at that time no conception of the ambitious schemes which Dupleix had in mind; they certainly entertained no dreams of empire for themselves. They had been compelled to follow his lead, but they did so at first in a half-hearted manner, actuated not so much by the lust of power as by the feeling that compensatory alliances were necessary for their own protection. By the time, however, that the peace of Aix-la-Chapelle brought the war to a close in 1749 A.D., they had thoroughly learned the lesson; they had seen Madras slip out of their hand; they had watched the Governor of the place and his officers figuring as captives in a triumphal procession in Pondicherry; and they were keenly aware that the military

The Native States in India

prestige of the French had been immensely enhanced by the easy victory of St Thome. So when peace was declared in Europe, the conflict continued in deadly earnest in India. The British met Dupleix with his own weapons, and the two Companies simply espoused the cause of rival pretenders in Tanjore, Hyderabad and the Carnatic, and continued, under the flag of opposing claimants, to fight each other more fiercely than before. The English were no match for Dupleix in Oriental diplomacy; it never occurred to them, for instance, to snatch a victory against heavy odds by detaching all the most powerful nobles of the enemy—a triumph of intrigue which Dupleix accomplished without difficulty, when he found himself confronted by the overwhelmingly superior army of Nadir Jung, the Subedar of the Deccan. But the British nevertheless held at that moment, almost without knowing it, the two winning cards in the game; one was the support of British sea-power, even then the dominating factor of the Eastern situation, the other was the military genius of Clive and Stringer Lawrence. Eventually Dupleix's schemes were completely defeated by Clive at Arcot and Trichinopoly. The French Company, alarmed at the emptiness of their treasury and the poverty of their successes, recalled Dupleix, and solemnly repudiated his schemes, his vaulting ambitions and his dreams. They quickly agreed with the British Company that private war was wicked, and the extension of dominion in India, criminal; and that their only business in India was trade and the pursuit of the arts of peace.

This virtuous resolution lasted exactly two years. In 1756 England and France were again at war, and Count Lally was sent out from France for the express purpose of destroying English trade and English predominance in India. He was carefully warned to abstain from participation in the quarrels of the Native Chiefs; but it would have been quite as reasonable to direct him to discharge his guns without gunpowder. Bussy, Dupleix's Lieutenant, still held a dominant position in the court of the Nizam of Hyderabad,

The Native States in India

and it would have been equally dangerous to abandon him or to withdraw him from that centre. The English were now in league with quite a number of chiefs, and their prestige had been greatly enhanced by Clive's great victory at Plassey. Lally was compelled, in spite of all instructions, to ally himself with the Nizam and other chiefs, but he was deficient in the diplomatic skill for which Dupleix was so conspicuous, and his defeat by Sir Eyre Coote at Wandewash, followed by the fall of Pondicherry in 1761, left the English with a commanding influence in all the States on the East of India from the Carnatic to Murshidabad. Although, as a matter of fact, the hopes of a French dominion in India were extinguished with the defeat of Lally, the fear of France continued, for many years, to be perhaps the most potent motive for the expansion of the Company's rule in India.

When Clive left India in 1767, having buttressed his conquests in Bengal by interposing between them and the tribes of Northern India, the allied kingdom of Oude, he deprecated any further advance or extension of dominions, and his opinions were loudly re-echoed by the London Directors.

Nevertheless, Warren Hastings found himself dragged reluctantly, at the heels of the Madras Government, into entanglements with the Nizam of Hyderabad, with the Sultan of Mysore and with the Mahrattas; and, just as he was on the point of succeeding in getting clear of these troubles, it was discovered that a French agent was in the Mahratta camp, that a French ship from the Isle of Bourbon was landing officers and military stores for Hyder Ali of Mysore, and that the French intended to take advantage of the British reverses in America to declare war against England. All the good resolutions for a strong, self-contained policy were once more scattered to the winds. The English, indeed, had their work cut out in maintaining their position in India at this time. Their sea-power was threatened; a French fleet under Admiral Suffren had appeared off the Coromandal coast; and little help was to be looked for from

The Native States in India

England, for she was herself engaged in a formidable struggle with all the great naval powers of Europe. The English in India were locked in a fierce war with the two most skilful Indian powers of the time, the Mahrattas and Mysore, both of whom had entered into treaty with the French; and they found that Hyderabad had slipped out of their hands and had been forced to join the alliance against them. They sustained the combat with difficulty, Warren Hastings straining every nerve and some points of conscience to find the sinews of war, till fortune once again came to their aid.

In December, 1782, their most formidable foe, Hyder Ali, was removed by death; and in July, 1783, news arrived of the Peace of Versailles. Moreover, the declaration of peace in Europe could no longer be ignored in India, as it had been ignored only 34 years before. In the interval, the reins of home control had been greatly tightened. Public attention had been focussed on Indian affairs, and the sense of public responsibility had begun to be aroused, owing to the impeachments of Clive and Warren Hastings; the impression prevailed that entanglements with Native States were dangerous, and at all costs to be avoided, and was now sufficient to prevent the continuance of hostilities in India. In 1784, Parliament formally declared in the famous Act, known as Pitt's Act, that schemes of conquest in India were repugnant to the honour and policy of the British nation, and when two years later Lord Cornwallis was appointed to be the first Governor-General, he was specifically prohibited from entering on hostilities and from making defensive and offensive alliances with Native Princes, except for the protection of British territory or of our allies.

This solemn and formal protest was entirely futile. Lord Cornwallis came out to India resolved to enforce the new policy; he carried it out so far as to refuse to grant the Nizam of Hyderabad protection against Tippu Sahib of Mysore, but he felt some qualms on the subject; and when Tippu Sahib attacked the Raja of Travancore, his qualms overcame his scruples. In spite of the solemn asseverations

The Native States in India

of the Act of 1784, Lord Cornwallis found himself, within seven years of its enactment, allied with the Mahrattas and the Nizam in a league against Mysore. He realized in India what he failed to grasp in England, viz., that the policy of masterly inactivity was inconsistent with good government or self-preservation. Tippu Sahib was defeated and lost his western sea-board ; but, though crippled, he continued as before to intrigue with the French to an extent just sufficient to keep English wrath and apprehensions alive. His defeat left Mahdaji Scindia, the Mahratta, the greatest native power in India. Scindia's army was well disciplined, and commanded by skilled European officers, mostly French. Lord Cornwallis, still posing, in spite of his experiences in Mysore, as the apostle of non-interference, felt bound to leave him severely alone ; and his successor, Lord Teignmouth, even allowed Hyderabad to be sacrificed to this principle. But once again, the fear of France dissipated the policy of peace and self-abnegation.

Buonaparte had clearly taken up the dreams of Dupleix; his occupation of Egypt and his march into Syria in 1798 had for their avowed object the destruction of the British power in Asia and the establishment of a French dominion in its place. As far back as 1793, at the opening of our long war with revolutionary France, Lord Cornwallis had felt himself impelled to seize all the French settlements in India and Lord Wellesley very soon after his arrival in 1798, declared that the existence of a French party in the Councils and armies of Indian Princes, was an evil that demanded extirpation. The Nizam of Hyderabad was induced to disband his French levies, and to substitute troops commanded by English officers. The summons to Mysore to abandon the alliance with the French led to the war which finally brought Tippu to the grave and his Mohammedan dynasty to an abrupt end; while the maintenance of French officers in the Mahratta armies was Lord Wellesley's main justification for breaking up the great Mahratta confederacy, and finally defeating it in detail at Laswari and Assaye. These

The Native States in India

two battles, both fought towards the end of 1803, may be taken as closing this chapter of history, so full of incident and so rich in results, which deals with the consequences of the struggle between French and English in an India in which the effective central government had fallen into decay ; a chapter which begins with British rule extending no farther than the coastal trading stations leased from the Great Mogul, and closes with England in sole possession, and with six of the largest States in India in direct political subordination to her, viz., Oude, Hyderabad, Mysore, Poona, Baroda and Travancore.

With Lord Wellesley a new chapter begins. For the Treaty of Bassein, concluded by him with the Peshwa in December, 1802, and subsequently acknowledged by all the other Mahratta confederates, proved to be the foundation stone of all our later policy towards the Native States. It practically established the constitution of Native States on their present basis ; providing that they should look to us for protection, that all their disputes should be submitted to our arbitration, and that the interference of all other European powers should be rigidly excluded. In return they were left to manage their own internal affairs. Lord Wellesley's own description of his labours in this regard, sounding a note of not unjustifiable pride, may here be quoted. "A general bond of connection is now established between the British Government and the principal States of India, on principles which render it the interest of every State to maintain its alliance with the British Government, which preclude the inordinate aggrandisement of any one of those States by an usurpation of the rights and possessions of others and which secure to every State the unmolested exercise of a separate authority within the limits of its established dominion, under the general protection of the British power." This is perhaps a slight over-statement of the case, as only the six States mentioned above had actually signed these subsidiary treaties, as they are called, when Lord Wellesley left India. But the next few

The Native States in India

years witnessed a rapid and wide extension of the system. The British authorities tried, as before, to avoid definite relations with States which were beyond their immediate touch ; but the position of supremacy they now occupied had its responsibilities. By taking the person, family and nominal authority of the Mogul Emperor, Shah Alam, under the protection of the British Government, Lord Wellesley made the British stand out before all men as the acknowledged heirs of the Suzerain power in India. The smaller States looked to the Suzerain for protection—it was impossible to stand by and see them pillaged by the mercenary troops and freebooters, the residue of the Mahratta armies, known as Pindaries; the States themselves protested and called on us to do our obvious duty of arranging to police them. Lord Hastings accepted the call, and undertook the task of pacifying the whole country. By 1818, the British protectorate had been extended over all the States in Rajputana and Central India as well as those lying on either side of the Sutlej; the custom of appointing Political officers to help and advise the chiefs and to interpret their wishes to the Government, was introduced and the constitution and boundaries of Native States, except those appertaining to the Punjab, became practically fixed.

There followed a period of nearly forty years, during which the only formal changes in the position were the inclusion among the protected Princes, either by treaty or by force of circumstances, of the Chiefs of Khairpur, Bahawalpur, Kashmir and the remainder of the Cis-Sutlej and Trans-Sutlej States of the Punjab—the result of the conquest of the Sind and of our wars with the Sikhs. But during this period there came about a far-reaching if subtle change in the relations of the British and the Native States. Having assumed responsibility for the government of the country, the British applied themselves with such zest to the reform of the administrative machinery in British India that the management of Native States began to suffer by the comparison. Non-interference with the proceedings of

The Native States in India

the Native States in internal matters was, as always, the avowed policy of Government, but when misrule is rampant it is no easy matter for a Government, ultimately responsible, to shut its ears to the cries of the oppressed. Another step forward was inevitable; the Government were driven to realize that higher standards must be demanded, and that they must protect not only the Native States from external enemies but the subjects of those States from the rapacity and oppression of their own rulers.

That interference was called for in the interests of humanity is a proposition capable of easy proof by a long and terrible chain of evidence. It will suffice to mention here a few links of the chain. Justice was freely bartered; office was openly sold; the wives and children of men who were defaulters in the payment of revenue were driven off in hundreds to be sold into slavery; frightful tortures were common, and some States had an official Torture Department, as part of their Police organization. Men were tied with the wrists fixed between split bamboos, which were daily tightened, if they continued obdurate, until the hand dropped off; mutilation was a favourite form of punishment, impalement or trampling to death by an elephant a recognized form of capital sentence, frequently inflicted without any proof or suspicion of capital crime. The prevention of atrocities of this nature was, however, much less difficult to enforce than the prohibition of certain social customs which appear to the Oriental mind laudable, to the Western mind barbarous. In 1832, the Government of India had forbidden the practice of "Satti" or the imolation of widows on the funeral pyres of their husbands; but it continued to be freely practised in Native States long after that date. It has been generally repressed now, but it is difficult for the outsider to realize how rapidly it would again spring into existence in many Native States, if not also in British India, were the checks to be removed. Even as late as 1874, the precautions which had to be taken on the death of the chief of a leading State in Central India were extraordinary.

The Native States in India

The doors of the women's apartments had to be locked and guarded and some of the principal men of the State were made individually responsible that none of the women should escape. When the time came for the corpse of the chief to be carried out to the pyre, according to ancient Rajput custom, richly clothed and covered with jewels, seated in a State sedan chair, canopied in crimson and gold, the excitement among the women rose to such a pitch that they were with difficulty restrained from throwing themselves out of the "zenana" windows.

The existence of these barbaric customs illustrates the difficulties which beset the British rulers of India at this time. Non-interference in the internal affairs of Native States was the guiding principle. Yet indifference to scandalous misrule was impossible for the Suzerain power. There seemed to be no half-way stage between complete aloofness and compulsion, and compulsion meant annexation. For a time logic had its way and led to the annexation of Oude in 1856, and to various other cases of absorption by escheat or lapse to the Crown on the failure of direct heirs in the time of Lord Dalhousie—notably the States of Satara in Bombay, and Jhansi and Nagpur in the Central Provinces. But a *via media* was found. The policy of lapse or escheat left a legacy of apprehension and restlessness in the minds of the Native Chiefs—a phase that is typified by the fakir on his high pedestal, described at the beginning of this article. After the Mutiny, during which the chiefs, almost without exception, remained loyal in spite of their anxieties and apprehensions in regard to Lord Dalhousie's policy, it was abandoned, and was replaced by that of the Adoption Sanads, granted to all important Ruling Chiefs by Lord Canning in 1858 after the Government of India had been transferred from the Company to the Crown by Proclamation of Queen Victoria.

No juster or wiser measure was ever initiated by any Governor-General. In pursuance of the policy of escheat it had been the rule to refuse to allow chiefs to adopt

The Native States in India

collaterals as their heirs. This was really a contravention of one of the cardinal principles of Hindu Law. The grant to the chiefs of the Adoption Sanads—that is the right to adopt collaterals as heirs—remedied this injustice, and has also ensured for all time the integrity of these Native States. It allayed all anxiety and has probably done more to reconcile the chiefs to British rule in India and to improve the government of Native States than any other measure ever devised. When the charters or Sanads were issued, Lord Canning formally declared that the grant would not debar the Government from stepping in to set right such serious abuses as may threaten any part of the country with anarchy and disturbance, or from assuming temporary charge of a State, if necessary. This raised no anxiety or resentment. For the Chiefs readily recognize that the punishment of an individual is sometimes desirable, seeing that intervention does not necessarily threaten the continuity of their dynasties.

The Adoption Sanads, by removing all possible cause for such resentment, made it far easier for the British to influence the course of administration in the Native States towards humanity and civilization. They have, in fact, infused them with new spirit and life; and the progress achieved by Native States as a whole, since the Mutiny, is almost incredible. As time has passed, the confidence of the chiefs has grown and strengthened, and the attitude towards Government has changed from that of a grudging subordination to one of trust and co-operation. The Chiefs generally recognize that their best interests are wrapped up in the welfare of British Rule; its collapse would involve the majority of them in irretrievable ruin; thus their genuine feelings and their material interests equally impel them to line up solidly behind the Throne. A vivid instance of the growing spirit of confidence and co-operation was given when Lord Dufferin in 1890 decided to make this support more effective, by authorizing Native States to entertain “Imperial Service Troops”; that is, a body of troops

The Native States in India

specially drilled and disciplined with European assistance, armed with modern weapons, and able to take their place on active service side by side with British troops, as they did in China by the end of the century. Twenty-nine States have taken advantage of this offer. Moreover, it is abundantly apparent that the higher ideals of law and order introduced by the British in British India are raising standards in Native States also; the effects of improved administration are gradually permeating the whole country; and the Chiefs as a body have come to recognize that arbitrary methods are useless, and good organization profitable.

The relations between the Native States and British India are likely to be profoundly modified in spirit, if not in form, by the great war. During it the Ruling Princes have come forward with enthusiastic generosity. Several Ruling Chiefs, and the near kinsmen of others, went to the front in France, amongst them the veteran Sir Pertab Singh, Regent of Jodhpur, whose age was nearly seventy. All the Princes freely offered the resources of their States, and horses, stores, hospitals, have come as gifts to the Empire. Large sums of money have been given: the (Muhammadan) Nizam of Hyderabad presented £400,000, the (Hindu) Maharaja of Mysore £260,000. The Parliamentary Paper of 1914 on the Support offered to His Majesty by the Princes and Peoples of India contains a record for which it would be difficult to find a parallel. Perhaps it has not been sufficiently understood that the contributions made by the Ruling Chiefs of personal services, men, money, and materials, represent an entirely spontaneous movement directed by no legal obligation. To say this is not in any way to depreciate the ready response of British India to the call, the devotion of the British Indian Army, or the generosity and loyalty of the leading men of British India. But while the Indian Army was anxious to be employed on active service, and Indian opinion was delighted that Indian troops should stand beside the other forces of the Crown,

The Native States in India

the responsibility for the co-operation of the Native States rested entirely with their own Rulers.

Five and twenty years ago, witch-burning and mutilation of criminals by way of punishment were not uncommon in Native States, and it is less than twenty years ago that one frontier chieftain boasted that during his rule he had taken the lives of 3,500 men and women. Such things are impossible and indeed almost unthinkable now, but as a contrast to this a case may be mentioned which occurred only a few years ago, where the chief of a small internal State, after causing in a fit of intoxication the death of a woman in his zenana, and after covering up all traces of the crime, himself confessed the facts to the Political Officer, and quietly submitted to deposition in consequence. A story is told to illustrate Native States' methods, of a cultivator who having prepared some waste ground and sown it with wheat, was informed that the orders of the Durbar were that the upper portion of the crop went to the State, while the lower portion went to the husbandman—consequently the revenue collector took all the grain, while the cultivator was left with the stalks; the next year the latter thought to steal a march on the State by sowing carrots and potatoes, but he was foiled again, as the revenue collector informed him that the orders of the Durbar had been reversed, and that this year they were taking the roots.

But it is a pleasing reflection that such stories are scarcely typical now. Although the degree of advancement varies greatly, most Native States have by now introduced a reasonable land assessment, based on a fixed demand with fixity of tenure; and they are ready to organize measures for combating famine, which were quite unknown and unpractised before the advent of British philanthropic ideas. The advantages of education are generally recognized, and most States of any importance have adequate schools and colleges affiliated to the universities in British India, while the most conspicuous example of their zeal in this respect is the establishment of the four special colleges for

The Native States in India

the sons and relatives of chiefs at Ajmer, Indore, Rajkot and Lahore, financed largely by themselves and managed by councils on which they themselves form a majority. In every Department, Police, Medical, Public Works, Irrigation, Finance, the tendency is an approximation towards higher ideals ; and though there is of course back-sliding, the progress has been great. These effects have been and are being produced in various ways; sometimes, when a chief is a minor, a Council of Regency is appointed, on which skilled Administrators sit, the Political Agent occasionally presiding; at other times, the chiefs ask for the services of some specialist from British India for a particular branch of the administration; in some cases, the chiefs themselves are highly educated and powerful organizers. But perhaps the most potent factor has been the encouragement given by the Government of India, and the grant of much-coveted titles and decorations to those who have been conspicuous in helping to raise the level.

There are both advantages and disadvantages in Native State rule. Among the latter are its more arbitrary nature, the dependence on the personality of the chief, the possibility of a relapse to weakness and chaos with a change of ruler; among the former, the innate devotion of the Indian people to a personal ruler, the freedom from departmentalism and the possibility, not of course always achieved, of a more rapid despatch of business. Two instances of these advantages, may be quoted. The writer once saw a chief whom the Government had found it necessary to depose temporarily for misconduct, return after his seclusion to his capital. Although he had done little to merit their good will, the populace flocked to receive him, and welcomed him with the most genuine acclamation; and the reflection was irresistible that this was real personal loyalty, such as no British officer, however much he might labour, could command. To illustrate the other point, a case may be quoted of a new college, with three fine buildings, masters' houses, servants' quarters, sanatorium, etc., built in a Native State within

The Native States in India

twelve months, a feat which the Public Works Department of the Government of India, with its complicated departmental procedure, could scarcely hope to accomplish.

But the most marked feature that has occurred in recent years is the establishment of Legislative Councils in some of the Native States. These are of course of a rudimentary character at present; but they contain the germ of a great development. There is no real representation of the people as yet; the control still remains in the hands of the chief; but nevertheless, the autocratic and patriarchal system is challenged. The mere admission of the shadow of democracy into a Native State is a concession full of meaning, it signifies that the chief intends to rule according to the will of his people and not according to his own. The probabilities are that these Legislative Assemblies will long remain merely consultative bodies, but even as such, they should exercise a great influence. Besides finally closing the door on barbarities such as have been mentioned above, they are bound to operate towards deterring the ruler from pursuing arbitrary or unconstitutional methods in any direction.

The natural consequence of the spirit of reform displayed by Native Chiefs and of the trust and confidence engendered between them and the Government of India has been a relaxation of the old policy of isolation. Formerly no State was permitted to communicate with another, except through the Government of India; and since Lord Wellesley's time this was regarded as a cardinal principle of their constitution. But of late, Chiefs have been allowed to visit and confer with one another freely and almost without restraint. Until 1903, the only occasion on which the Chiefs of India had been called together was the great Assemblage of 1877. That was a purely ceremonial Durbar, to inform them that Queen Victoria had fulfilled the purport of the Proclamation of 1858 by taking on herself the title of "Empress of India"; and the Durbars of 1903 and 1911 were of similar character; but in the early years of the pre-

The Native States in India

sent century, Lord Curzon had formed the Councils of the Chiefs' Colleges, on which the Native Rulers were invited to meet together, and to play a really practical part. The first occasion on which the Government of India have invited the Chiefs of India to meet in conclave, not for purely ceremonial purposes, but in order that they might confer on matters of public importance occurred in 1913, when a conference was arranged at Delhi, to discuss the question of a university for the ruling classes throughout India.

The occasion was notable for the speech delivered by His Highness the Maharaja of Bikaner, as spokesman for the assembled Chiefs. "I am voicing," he said, "the expressed wish of my brother princes, not only of those who are present, but also of others who are absent, when I say that we trust, and we are confident, that Your Excellency will before long convene similar meetings to deal with other subjects in which we and the States represented are no less closely concerned than in this one of the College, and on which our deliberations will not only be of the greatest advantage to ourselves, our States and our people, but also we hope, of some value to the Imperial Government." Lord Hardinge, in his reply, expressed his sympathy with the suggestion, and it is possible that herein lies the solution of a problem which has long vexed the authorities in India, viz., the part which is to be played by the Native States in the general governance of the Indian Continent. It is obvious that in the legislation daily minted for the benefit of British India, they must frequently have a deep concern; yet they remain wholly unrepresented on the Imperial Legislative Council. The chiefs were, many of them, closely affected by the policy recently pursued by the Government of India to suppress the opium traffic to China; their interests were fortunately strongly pushed by political officers, and a settlement honourable to both parties has happily been arrived at. But it is easy to conceive circumstances where, owing to want of information or the need of urgent action, the issue might be less satis-

The Native States in India

factory. Events are undoubtedly marching to a position where greater solidarity between the chiefs and the Government of India must be attained. The idea of a council of princes was mooted in the time of Lord Lytton, and it came under consideration again when the scheme for Legislative Councils in British India was on the anvil. The plan has many attractive features, for among the Chiefs themselves and their administrative staffs, there are plenty of men of light and leading, and of pronounced loyalty. But in the existing constitution of India the position of a Council of Princes would be somewhat anomalous; and the drawbacks to including it in a fitting manner in the constitution are perhaps insuperable. But it seems probable that room will gradually be found for some kind of representation on the Councils of India of the great area covered by Native States; and two possible developments may here be indicated. One has already been alluded to, viz., the extension of the Conference system in respect of matters of general interest to the Native States. The other is the selection of a few Chiefs of the best type to assist at the deliberations of the Legislative Council. There is no material in India so good as the best of the Native Princes. They may not possess the glibness of tongue, the forensic abilities, the demagogic virtues of the lawyers who, under existing arrangements, find themselves the leaders of Indian opinion. But they know much more of the real India; they are accustomed to the responsibilities of actual personal rule; they realize the Imperial position much more keenly; they have had experience of the limitations and shortcomings of the masses, and of their impassiveness and slowness to change; they are much more likely to be actuated by purely impersonal motives; they are, in fact, likely to be quite as valuable counsellors as many who now attain that position.

In our modern democracies the personal factor is still as great as ever. Much more is this the case in India, which is still at heart conservative and aristocratic. Is it then unsafe to prophesy that the day is not far off when the Government

The Native States in India

of India will be glad to call into their Councils a few of those who represent most obviously the personal element which counts for so much in that country? But whether this be the case or not, the system of conferences will probably develop. This alone will enable men of commanding personality in Native States to make themselves felt, while the chiefs, as a body, will rejoice if the opportunity is given them of formulating their views directly to Government and of enjoying all the advantages of round-table discussion. A further conference of Ruling Chiefs was convened at Delhi by Lord Chelmsford in October; and though no full report had come when this article went to press, it is to be noted that the Viceroy assured the Princes that by their action in the war they "have earned a place in the hearts of the British people which will remain for all time." And on this occasion the Government of India sought from the Chiefs "free and frank advice on questions connected with their States and peoples."

It will be readily seen from the tale unfolded in this article how prominent is the place which the Native States occupy in India, comprising as they do about two-fifths of the whole area, and nearly a quarter of the whole population. It is the settled policy of the Government not to incorporate this huge section in British India, that is the country which is directly administered by the British. In these Native States, therefore, distributed from North to South and from East to West of the country, there is a huge field in which India can experiment and progress on its own lines. They are, therefore, a barometer of the progress of India which no student of its conditions can afford to ignore.

THE UNITED KINGDOM

I. THE IRISH DEBATE

ON October 18 there took place in the House of Commons a debate on the government of Ireland, the first since the breakdown of the negotiations for a settlement and the re-establishment of Castle government. The debate is important, not so much by reason of its effect upon the political situation, but as revealing the present state of the Irish problem. It is worth recording, therefore, at some length.

The debate was opened by a motion moved by Mr. Redmond in the following terms, "That the system of government at present maintained in Ireland is inconsistent with the principles for which the Allies are fighting in Europe, and has been mainly responsible for the recent unhappy events, and for the present state of feeling in that country."

Mr. Redmond made no further reference to the terms of this motion, which was manifestly drafted for the consumption of public opinion in Ireland and overseas rather than for Parliamentary purposes. He was mainly concerned with the present state of Ireland, which he described as "full of menace and of danger," and with the remedies which might be applied to it. In the first part of his speech he deplored the manner in which the unique opportunity for effecting a reconciliation between the English and the Irish people created by the war had been lost. He reminded the House how, at the outbreak of

The Irish Debate

the war, "for the first time in the history of the relations between Great Britain and Ireland," the representatives of the mass of the Irish people declared themselves on the British side, and how they had returned to Ireland to promote recruiting, in face of the traditional hostility in many parts of Ireland to the British Army. They had succeeded, he said, far better than they had anticipated or hoped. There was, indeed, at that time genuine enthusiasm in Ireland on the side of the Allies.

This auspicious beginning, however, was spoilt by the conduct of the officials of the War Office, who refused to back up the patriotic efforts of the Nationalists.

"From the very first hour," he said, "our efforts were thwarted, ignored, and snubbed. Our suggestions were derided. Everything, almost, that we asked for was refused, and everything, almost, that we protested against was done. Everything which tended to arouse Irish national pride and enthusiasm in connection with the war was rigorously suppressed."

Mr. Redmond then went on to give instances, the rejection of the offer to use the Nationalist Volunteers for home defence, the refusal to allow regiments to carry the Irish badge, and the manifestation of suspicion and distrust in a thousand small ways. He explained that taking any one of these things singly they might seem contemptible and small, but the cumulative effect was enormous, and they took all the heart out of the efforts which were being made. Day by day the undoubted enthusiasm at the commencement of the war began to die down. Day by day their opponents were instilling into the minds of the people that the Nationalists were just as much distrusted by England as ever, and that in the end they would be cheated and betrayed. Then came the final blow in the creation of the Coalition Government. From the day the Coalition was formed, recruiting for the Army in Ireland declined rapidly. From the day the Coalition was formed, recruiting for the revolutionary, anti-recruiting, Sinn

The United Kingdom

Fein party rapidly increased. Distrust and suspicion spread all over the country, and the spectacle of Sir Edward Carson being given a seat in the Cabinet as chief Law Officer meant, in the minds of large masses of the Irish people, that in the end they would be betrayed. As for the offer made to himself to join the Cabinet, of course it deceived nobody. Everyone knew that he would not and could not accept it. He had begged the Prime Minister at the time to leave Ireland out of the Coalition. He refused, and the result in Ireland was fatal.

Then less than a year after the formation of the Coalition Government came the rebellion.

Mr. Redmond's words on this subject are worth quoting textually. At first, he said, "the rising was resented universally by all classes of the people of Ireland. It seemed so causeless, so reckless, so wicked, and I am to-day profoundly convinced of this, that if that rising had been dealt with in the spirit in which General Botha dealt with the rising in South Africa it probably would have been the means, strange though it may sound to hear it, of saving the whole situation. But, unfortunately, it was dealt with by panicky violence. Executions, spread out day after day, and week after week—some of them young boys of whom none of us had ever even heard, and who turned out to have been young dreamers and idealists—shocked and revolted the public mind of Ireland. There were only some fifteen hundred men, according to my information, who took part in that rising, and yet the military authorities scoured the entire country, and arrested thousands—we heard the number of thousands to-day at question time—of perfectly innocent men and young boys. . . . By that proceeding terror and indignation were spread throughout the country, and popular sympathy, which was entirely against the rising on its merits, and against the rising when it took place, rapidly and completely turned round."

After the rebellion came the visit of the Prime Minister

The Irish Debate

to Ireland, and the opening of the negotiations for a settlement through Mr. Lloyd George. Proposals were made to the Nationalists by the Prime Minister and Mr. Lloyd George, but when, in the teeth of enormous difficulties, they had secured the assent of their own people to them, the Cabinet threw them over, and reverted to the old discredited system of Castle government with Unionists at its head.

In consequence of all this, said Mr. Redmond, not only was the situation in Ireland disquieting and dangerous, but there was grave danger that it would be impossible to keep the Irish regiments at the front up to strength. "Personally," he said, "I would do anything possible to avert that catastrophe."

"What I feel about these Irish soldiers is this : I feel that by their gallant deeds they have already won a new place for Ireland before the world, a new place in the policy and councils of the Empire. My conviction is that it is for Ireland in her own interests to keep that place, and it is for the Empire in the Empire's interests to enable her and to help her to keep it. How ? By removing once and for all all this fog of bad faith and bad management, and by setting Ireland on a basis of freedom and responsibility."

Discussing this question of reinforcements, Mr. Redmond put on one side the question of conscription. "All I will say of that, at this stage—we may have to speak about it later on—is that it would be not a remedy, but an aggravation, and I cannot bring myself to believe that any man responsible for the government of Ireland, either in the civil or military sphere, would, at this moment, recommend it."

After suggesting certain minor measures, Mr. Redmond came to these conclusions as to what ought to be done :

"But I recognise fully—I would not be honest if I did not say so plainly—that these expedients cannot fully meet the case. The case can only be met by boldly grappling with the situation in Ireland itself. So long as

The United Kingdom

the present state of government exists in Ireland, so long will the present excited and irritating national public feeling exist there, and so long as that feeling exists, everything will be wrong. So long as the Irish people feel that England, fighting for the small nationalities of Europe, is maintaining by martial law a State Unionist Government against the will of the people in Ireland, so long no real improvement can be hoped for. Let the Government withdraw martial law, let them put in command of the forces in Ireland some man who has not been connected with the unhappy actions of the past. Let the administration of the Defence of the Realm Act be as stringent as you like, but let it be animated by the same spirit and carried into effect by the same machinery as takes place in Great Britain. Let the 500 untried prisoners be released, let the penal servitude prisoners be treated as political prisoners, and, above all, and incomparably more important than all, let the Government take their courage in both hands and trust the Irish people once and for all, by putting the Home Rule Act into operation and resolutely, on their own responsibility, facing any problems that that may entail."

The reply to this speech was made by Mr. Duke, the new Chief Secretary. He repudiated with emphasis the charge that the administration of Ireland was a Unionist administration in any party sense. He said that it was absurd to treat the Sinn Fein rebellion as the work of a few irresponsible men.

"The true case is that for many months, probably for a good part of two years—certainly for more than a year before the rising—those who ultimately gave the signal of revolt had been organising throughout all the counties of Ireland a conspiracy of rebellion which it was intended to carry into effect with Germany's aid. Those throughout Ireland who unfortunately have been involved in the conspiracy were on the alert where they had arms, and they stood to arms. Whether they had arms or not, they

The Irish Debate

awaited orders. And with that condition of things in Ireland centralised in Dublin, kept in practical effect by the activities of the men who had devoted themselves with amazing perseverance during the long period before the rebellion, centred upon Dublin but pervading the country, there was that state of peril to the United Kingdom and the cause of the Allies, and what was awaited was the successful landing on the West Coast of Ireland of arms sufficient for the better part of two divisions of infantry. Fortunately those arms, instead of being landed, went to the bottom of the sea.

"I am not speaking of these matters as casting any reproach upon the body of people in Ireland. It would not be true to do anything of the kind. The great body of people in Ireland were indignant at the action which was taken in Easter week. But they could not prevent it, and did not prevent it, and one of the difficulties which you find existing now is that the men who had not arms, and the men who were not arrested, still in one part of the country or another retain their old views, and are a menace to the public security so long as they retain those views, and so long as they persevere in the determination, if they can, to defeat all the hopes of the hon. Member for Waterford ; to defeat all the hopes of their countrymen who love constitutional methods and who believe in constitutional progress, and to embark again in some hopeless and bloody adventure such as that of Easter week."

For these reasons, he said, it was impossible to accept the "easy prescriptions" of the Irish leader. "When you have that state of things, can you sanely and reasonably contemplate amnesty and indemnity as effective treatment for the safeguarding of the public peace, and for giving security to the King's subjects of all classes in Ireland ? In my view of the matter, it is impossible that that view should be taken."

After dealing in detail with the difficulties in the way of substituting the Defence of the Realm Act for martial law

The United Kingdom

on the ground that it would be difficult if not impossible to secure convictions under it, Mr. Duke went on to ask if the speeches of some Nationalists had not something to do with the prevailing unrest in Ireland, and quoted the following remarks made in Kilkenny by a member of Parliament only four days before :

" I believe myself that the present and past Cabinet of England is composed of the damnedest political tricksters that ever cursed a nation, and I believe, as it is at present, that there was never a greater pack of political tricksters on the face of the earth. They hate Ireland—if they could afford it. Take Easter week, and see the most abominable week of shootings and brutal murders of the best men that Ireland ever produced."

Martial law, he added, could not be very oppressive when such speeches could be made and their authors not proceeded against.

In dealing with the main question Mr. Duke said that the resolution declared that the treatment of Ireland contradicted the principles for which the Allies were fighting. " What is the position of Ireland at the present time ? :

" Her greatest industry is more prosperous than it has ever been. She is immune from the greater part of the griefs of this war which fall upon the people of this country. No man can be present in Ireland for a week without realising how different is the atmosphere there in regard to the war from the atmosphere in England. The war is a distant thing in Ireland. Ireland is protected from the practical perils of being made to feel the warfare by the common enemy by the vigilance of the British Fleet, and by the presence of British forces. In that state of the case this House has refrained from demanding from the manhood of Ireland the degree of sacrifice which it has not refrained from putting upon the men of Great Britain. These things cannot be put out of mind . . . when you are trying to form a just judgment upon the treatment of Ireland by

The Irish Debate

Great Britain. . . . The real question with which Ireland is confronted now is whether, when Britain is fighting a war of existence, Ireland, because of passing resentments or of ancient ambitions, or of unfulfilled hopes, shall stand aside from rendering the fullest part she can render in attaining the common objects of all the loyal subjects of the Crown."

Finally Mr. Duke came to the question of Home Rule and the breakdown of the negotiations :

" What was the obstacle to Home Rule in July of this year ? It was that Irishmen were not agreed about Home Rule. It was not that the British Parliament was not ready to concede Home Rule. The British Parliament was ready, so far as I could judge the position of affairs, to have conceded any measure upon which Irishmen were agreed. Is the system of government, and His Majesty's present Administration to be held up to odium in the country, in the Empire, and before its Allies, because of that failure ? The censure is unjust and the reproach is not deserved. The failure was at home in Ireland, and it is there to-day. Last July there were sacrifices in many quarters between the leaders of the Irish party, and there was a great effort on the part of British statesmen, who turned aside from an even greater task to see if they could snatch a success in the settlement of Irish affairs ; but in spite of those efforts there was failure, because upon one proposition Irishmen were not agreed. When you come to test public opinion in Ireland, there are almost as many minds as there are men at the present time upon the question of Home Rule and upon the mode of applying Home Rule in Ireland."

Later on in his speech he once more returned to this note :

" Is it supposed," he said, " that there is any man of sense in England or in the British Empire who does not devoutly wish that Irish grievances might be brought to an end ? . . . Where is the difficulty ? The difficulty is in Ireland. I venture to say that the task which presents itself to Irishmen to-day who believe in constitutional

The United Kingdom

action is the task of bringing together their common contribution in order that by united action they may remove the obstacles which lie in the way of Home Rule, and that they, as men of sense, as loyal subjects, as men who have their interests bound up with the interests of Ireland and the Empire, may present to the House of Commons such modifications of the present scheme, or such scheme of their own if they wish. I do not believe this House would put restrictions upon their liberty, and they should present the existing scheme with its appropriate amendments or a new scheme. If they would do this, in the midst of the greatest war the world has ever seen, this House of Commons would turn aside for a reasonable time from prosecuting the war, and would make sacrifices to bring conciliation and peace in Ireland.

"The proceedings of last summer," he added, "seem to me to forbid anything during the war except a voluntary settlement of this matter." "But what, in the meantime," he asked, "is the task of His Majesty's Government? There are in Ireland at the present time people carrying on their avocations who engage steadfastly in other proceedings, men who are ready, I am satisfied, to repeat the mad and criminal proceedings of Easter week. They have no chance under the present system of doing anything of the kind—I mean no effective chance. . . . In that state of the case His Majesty's Government must bide its time, and it must ascertain closely week by week and day by day what is the state of the country. It is bound by every consideration of constitutional propriety and of the public good to withdraw every measure of restriction as soon as it can be removed, but in the meantime its primary and paramount duty, as I conceive the case, is to secure to every law-abiding subject of the Crown in Ireland the protection which can be secured to him by whatever means are at the command of His Majesty's Government."

The rest of the debate was not very important. In fact an air of unreality necessarily hung over it from the unreal

The Irish Debate

nature of the motion from the start. Mr. Asquith made a short speech reaffirming Mr. Duke's declaration about the need for an agreed settlement.

"The bad atmosphere that at present exists in Ireland," he said, "can only be dispersed by an agreed settlement on Irish Government. That is my settled conviction. There is no party and no sane politician in this country or in Great Britain who would not welcome with joy and co-operate with a whole heart in giving to such an agreement, if and when it is arrived at, as I still pray it may be, the most complete and lasting effect."

Mr. Lloyd George admitted that "some of the stupidities which sometimes almost look like malignities, which were perpetrated at the beginning of recruiting in Ireland, are beyond belief. I remember that I was perfectly appalled at the methods adopted to try to induce the Irish people to join the ranks." But he said that "that unfortunate period is passed, and passed long ago," and was largely due to the difficulty of improvising a great machine for recruiting and raising a gigantic army at the same time. After explaining that everything would be done to keep up the strength of the Irish Division, he said :

"What is important is that from the point of view of the war we want in the Army these brave and gallant warlike people who exhibited at the beginning of the war a real desire to help—I should say almost for the first time in the history of our Empire.

"In conclusion, I beg, first of all, the men of this country who know how important success in this war is to the British Empire, to subordinate everything to this securing of the assistance of this great race for us in the combat. I would also appeal to Ireland to approach Great Britain in the same spirit. There are men, and millions of men, in this country who are earnestly anxious to see that justice should be done to Ireland, and more than that, who mean to see that justice shall be done to Ireland. But may I say this : I am appalled at the effect which a failure

The United Kingdom

to achieve this will have upon the fortunes of the people of Ireland. I am sure that every right-thinking Irishman who thinks about the future of this country is very anxious to see this conflict of centuries brought to an end and a good understanding established between two races which Providence has put nigh to each other as neighbours."

Finally Mr. Samuel crystallised the essential dilemma which impeded a settlement in the following terms :

" Are Irish Members prepared to leave out the six counties until they are ready to come in ? No. If not, are they ready to wait for Home Rule until the six counties are included ? No. If neither of these, are they prepared to coerce Ulster ? The answer is No. It has again and again been given by the hon. and learned Member for Waterford and others of his colleagues that they are not prepared to contemplate armed coercion in Ireland. If they are not willing to leave Ulster out until she is ready to come in, and if they are not prepared to wait for Home Rule until Ulster is ready to come in, then what is their proposal ? That is the difficulty with those of us in the Government and in this House who earnestly desire to secure a satisfactory settlement of the Irish question—that is the dilemma in which we are placed. The most hopeful word spoken to-day was spoken by the hon. Member for West Belfast, who said that so far as he was concerned, he would be only too glad if Irish Members of different views would meet together with a view to overcoming the difficulties that are still outstanding. The Government would be only too glad, as everyone knows, if that could be."

Since the debate took place Sir John Maxwell has been recalled to England to hold the Northern Command, and has been succeeded in Ireland by Sir Bryan Mahon, who is himself an Irishman. The new Under-Secretary in Dublin, Sir William Byrne, is also an Irishman.

There is little to be added to these speeches, for they lay bare the essence of the problem. Geography and history have inseparably linked the destinies of the inhabitants

The Irish Debate

of the two islands of Great Britain and Ireland. From every point of view it is better that they should be friends and conduct in co-operation their common affairs. Yet they are deeply estranged to-day. The Irish majority, remembering the past, is inclined to think only of Ireland, and to regard proceedings which have for their object the welfare of the whole people of the British Isles, or of the Empire, as an interference with Irish liberty. The majority in Great Britain, though taking a wider view, find it difficult to realise that they are incapable of managing properly what is the Irishman's own internal business. And this estrangement it is which has caused the present evils. Touched at the outset, as Mr. Redmond said with the sufferings of Belgium, and the appeal of a noble cause, the majority of the Irish Nationalists rallied to the Empire and its armies. But the suspicion and hatreds of the past arose to interfere with the work of reconciliation. This new gospel of working for something beyond herself, which would have enabled Ireland to forget the past and would certainly have resulted in Home Rule, was met at first not with that sympathy and understanding which has carried the day in South Africa, but with suspicion and distrust. And then the irreconcilables in Ireland itself, profiting by this opportunity, and no less blind to nobler visions, and thinking with fatal self-centredness of themselves alone, destroyed it, at least temporarily, by plunging their country into the horrors of civil war. Since then Ireland has lain paralysed and divided by the hateful memories of the past.

Unfortunately the problem is not one only between Great Britain and Ireland. Had this been all it might have been solved long ago. But Ireland is not united. One quarter of her population, mostly concentrated in Ulster and deeply separated from the other three-quarters by religion, has been as determinedly opposed to Home Rule as the majority have been consistently in favour of it. At bottom it was the Ulster difficulty which wrecked each of the attempts at Home Rule. The experience of

The United Kingdom

the last attempt has made it clear that, if Home Rule is to be attained for an united Ireland, it will be enacted with the consent of an Ulster majority or not at all. The problem, therefore, is not only to reconcile Great Britain and Ireland. It is still more to reconcile Nationalists and Ulstermen. For until that is done any settlement on the basis of autonomy for an united Ireland is beyond reach.

But one thing has clearly emerged from recent events, and that is that the first steps towards reconciliation must be taken in Ireland itself. Too often has England tried to solve the Irish end of the Anglo-Irish problem. The Irish must now solve it for themselves. When they have agreed among themselves it will not be difficult for Ireland and Great Britain to come to terms. As the spokesmen for the Government said, and as the negotiations for a settlement showed, the inhabitants of Great Britain are prepared for almost any settlement consistent with the safety and the unity of the Empire which Irishmen can agree to among themselves.

What the basis of settlement should be we cannot presume to suggest. But it would seem that the war is the real ground on which it may be possible to bring all sides together. As Mr. Redmond said himself, it was the war which cast the first healing light upon the situation in Ireland. Despite the first failure it may yet be the war which will do it again. For the most urgent duty of all British citizens to-day is to help to defeat the Prussian menace. Many peoples have found their unity in relinquishing local differences to fight in a common cause. In forgetting itself in fighting in the common effort to save liberty abroad Ireland may yet find that it has won both unity and freedom at home. At any rate it would seem that unless the attitude of the Irish majority towards the war changes, the only basis on which any settlement could be made in the near future will be that of the recently rejected scheme of partition.

London. November, 1916

Ireland since the Rebellion

II. IRELAND SINCE THE REBELLION

THE Englishman and the Irishman are each in his way upholders of justice to an unusual degree. The tragedy of misunderstanding lies in their different conceptions of this virtue. For England justice can hardly be separated from the practical facts to which it is to be applied—an idea which does not appeal at all to the Irish mind. This was probably the underlying reason for the complete breakdown of the Lloyd-George scheme. It was quickly seen in Ireland that the scheme was based upon the necessities of the moment and was to be made palatable by large "considerations"—whose nature was left to discovery instead of being fully revealed—both to the Irish party and to the Ulster Covenanters. Unfortunately, as the event proved, to placate Mr. Redmond and Sir Edward Carson would not necessarily settle the future of the Irish nation or nations. The chief practical effect of the negotiations was to demonstrate to everyone in Ireland what a few people had always known, that neither of these leaders had a free hand. Each had an army at his back and a precipice in front of him, and probably there were no two men more in sympathy with one another during those trying days. Fortunately the possibility of putting different interpretations upon Mr. Lloyd George's words, and a speech of Lord Lansdowne's, extraordinarily repugnant to Southern Ireland, made it possible for each party to make at least a pretence of rejecting the scheme on the noblest grounds of self-sacrifice or breach of trust. By doing this they just saved themselves from seeing it wrecked by the country without their will.

Had it not been for the actual tragedies of the rising in Dublin, it is probable that the people would have taken very little interest in these negotiations; one of the chief difficulties of the Irish situation for a long time past has been

The United Kingdom

that both politicians and executive have been utterly divorced from the country and have been carrying on at Westminster a shadowy battle far removed from the realities of Ireland. The Irish people have practically no political knowledge or training, but have an abundance of shrewd insight which is rapidly tending to cynicism. The rebellion was a manifestation of revolt against unrealities on the part of the more hot-headed ; the rise of the Irish Nation League during the "partition" proposals has been a continuance of the same revolt on more sober if not very different lines, without the German influence.

An important part in this revolt against Nationalist authority was taken by the Church, which early declared its attitude of hostility towards all policies emanating from England. For this there were several reasons. In the first place the proceedings of the military authorities under martial law had brought them into conflict with the Church. This was definitely illustrated in the controversy between the Bishop of Limerick and Sir John Maxwell, and also, though less publicly, in the contest which went on in Dublin in connection with the saying of masses for the leaders who died. Secondly, the Church was not unwilling to re-establish her position of ascendancy as against the orthodox nationalist party, which with its progress towards the establishment of self-government had begun to show signs of democratic emancipation. Cynics have long averred, indeed, that there was nothing the hierarchy feared so much as an actual grant of Home Rule, and nothing it was so willing to foster as an agitation for it. Furthermore, the deportations which were so numerous after the rising, and the criticisms levelled at the conduct of some priests, encouraged an attitude which the idea of partition went far to strengthen. The actual initiative was left to the Northern bishops, who were in the strongest position to speak, and their utterance was regarded by most as decisive.

Meanwhile, a lay body had arisen almost spontaneously

Ireland since the Rebellion

(but with considerable clerical affiliations) under the title of the Irish Nation League, and had held large mass meetings which, like so many other meetings of the kind, were confined to destructive criticism, but extremely effectively made. This body was at once adopted by the independent newspapers which have long been a thorn in the side of the party, and which now devoted themselves wholeheartedly to the destruction of the partition scheme. The *Irish Independent* has a larger circulation than any paper in the country, partly, no doubt, because of its popular price, but largely because it represents the views of an enormous number of people. It is worth while, therefore, that English statesmen should be aware of the views expressed in its columns. From the beginning of the negotiations up to Mr. Redmond's Waterford speech, it was perfectly consistent ; its columns contained violent criticism of the Irish party for its spineless policy in not insisting on full satisfaction, support of the Church, and as much implied protection of the Sinn Fein suspects as would suffice to win popularity without suppression. The motives underlying this policy have been variously interpreted, and it is worthy of notice that the paper which had criticised the party for its supine attitude changed its view as soon as Mr. Redmond declared his intention of going into opposition, and began to criticise that policy with almost equal violence. Whatever may be the motives, it is certain that the combination of the Church, the Irish Nation League and the *Independent* has formed an engine which has effectively carried on by peaceful means the anti-party movement which burst out in the rebellion. It would be well to emphasise again how large a part of this movement was directed against the situation created by Mr. Redmond, and against the general neglect of Irish affairs in Parliament, rather than definitely against England, or, still less, against Ulster.

The immediate effect of the breakdown of the negotiations and the concentration of forces which they had caused

The United Kingdom

was to make it necessary for the Nationalist Party to restore the efficiency of their machine, which was all but overturned. The situation was very peculiar in one respect—it seemed to many people that the air might have been cleared by suggesting a general election in Ireland. But apart from the fact that it would have been highly inconvenient to the Nationalists, such an election could not have been held. The greater part of the people would have refused to vote for Mr. Redmond's nominees, but they would have had no one else to vote for, as the leaders of the Independents could not have come out into the open, and the rank and file could not have filled the position. The result would probably have been more bloodshed. An interesting sidelight on this matter is provided at the time of writing by the announcement of a by-election in West Cork. The only candidate with official support is put forward by Mr. William O'Brien, and is unable to visit Ireland owing to the Defence of the Realm Act. There is also an unofficial representative of the O'Brien party, and an *unacknowledged* supporter of Mr. Redmond, who used once to be an official candidate. There is little doubt as to which way the voting will go, and there is presumably also a doubt whether a person deported by the authorities can represent his constituency in Parliament.

In these circumstances it was possible for the Nationalist party, during the period of comparative stagnation which followed the breakdown of the negotiations, to reassert its influence by carefully chosen means. The leadership in this matter has almost openly passed from the hands of Mr. Redmond, who was suspected of vacillation, to those of Mr. Dillon, whose unflinching consistency has earned him the title of "Honest John." In the background is the silent but extremely powerful figure of Mr. Devlin, who, through the medium of the Ancient Order of Hibernians, is able to control the rank and file of the orthodox.

The way in which Mr. Dillon has set about his task is sufficiently well known to all newspaper readers. Three

Ireland since the Rebellion

particular points in the recent treatment of Ireland, beyond the partition proposals, have made it possible to excite popular sympathy without actually espousing Sinn Fein doctrines. These are the deportation and long detention in England of hundreds of Irishmen, the continuance of martial law and the restoration under its protection of the old system of Castle government under much the same type of officials as those who caused it to break down, and the suggestions of applying conscription to Ireland together with the arrest of Irishmen in England under the Military Service Act and the criticism and partial boycott of Irish labourers in Lincolnshire. All these points, to say nothing of the unfortunate happenings at Portobello Barracks and the other alleged misdeeds of the military, have afforded excellent opportunities for an eloquent man to appear as the champion of the people. None of them have been missed by Mr. Dillon, and his points have been successfully made. Meanwhile it has been left to Mr. Redmond to formulate the official policy as best he could. The three steps in this policy are well marked. At Waterford he announced that no further negotiations would be carried on, and that the Irish party would go into open opposition on all matters not connected with the conduct of the war. During the Parliamentary debate he repudiated the idea of a conference and criticised fiercely the recruiting policy of the Government in Ireland. At Sligo, after Mr. Dillon had again been prominent, he announced his complete abnegation of all responsibility for the future government of the country. At the same time he demanded an amnesty for Irish political prisoners and the recall of Sir John Maxwell. The literal manner in which English minds interpret Irish rhetoric is shown by the fact that the latter demand has been complied with—an absolutely unavailing action unless his successor is an angel in human shape. Mr. Devlin's part in contemporary politics is shown by the somewhat sensational adherence of a large number of the Dublin Metropolitan

The United Kingdom

Police force to the Ancient Order of Hibernians. The consequences of this action are still *sub judice*, and cannot properly be commented on at present, but there is at least a chance that they may prove far-reaching.

Thus we find that the Irish party in order to reassert its influence in the country has had to go halfway towards championing the cause of Sinn Fein.

The more extreme elements in the country are less apparent at present, but there are three very dangerous symptoms to be observed. In the first place it is believed that the old secret societies, notably the Irish Republican Brotherhood, are being tremendously strengthened by the suppression of agitation; secondly, it is obvious that young boys and girls, particularly in the towns, are being brought up to regard the leaders of the late rising as martyrs, and to believe in force as the only remedy for certain real or imaginary evils; thirdly, severe economic pressure is driving the labouring classes of Dublin to desperation, and they are largely convinced that the British Government is the cause of this pressure.

If good relations between England and Ireland are to be re-established these points must somehow be dealt with; the present misunderstanding seems to be due to the fact that the two peoples are at cross purposes. It would surely be well for the English Government, which is genuinely desirous of putting things right, to be guided by a representative body of Irishmen. For the purpose of creating such a body it would be necessary to know the feeling of Ulster at the present moment, which is an extremely difficult problem. One striking fact has been the peculiar absence of bitter comment from northern sources on the events of Easter week, and the general cessation of controversy and taunts between north and south. There are some observers who hold that bitterness in the north has died down considerably; others believe that it is merely smouldering or due to indifference as to events at the present time. It is hard to say which of

Ireland since the Rebellion

these views is correct, but it would be safe to suggest that a growing number of people in Ulster are beginning to feel that their future is inseparably bound up with the rest of Ireland, and that their position would be better if they were to take a large share in the government of a united Ireland than if they became a province of Great Britain. If this forecast be correct, it may be that Ulster will herself devise some plan which will enable her to consent to a measure of Irish self-government. It is at least certain that some of the most influential of the southern Unionists are rapidly tending to welcome the idea of an Ireland having the status of a dominion.

In the immediate future it is certain that economic questions will play a prominent part in Irish public affairs. The terribly inflated prices of milk, bread and coal are causing untold suffering in Dublin, and the comparative failure of the potato crop has evoked the shadow of famine. There is a widespread feeling that much of this state of things is due to neglect of Irish administration, the incompetence of Irish departments and the preferential treatment of England and Scotland in economic questions. Only one clause in the report of the Committee on Food Prices attracted attention in Ireland ; this was the one recommending the export of milk to England, which created violent indignation. The most significant movement of public opinion in Ireland recently has been the violent anti-agrarian feeling which has arisen in the towns ; coupled with it is an increase of anti-English feeling. Public opinion says that the farmers and England are jointly responsible for economic distress. This distress is rapidly verging on starvation, and unless something is done the unrest so created will lend a far more formidable strength than before to the physical force section of the Sinn Fein party. Whatever opinions may be held as to this party, it must be conceded that it contains many of the most enlightened and competent thinkers and workers in Ireland. If these men and women are not able to

The United Kingdom

express themselves for good, they will become dangerous, and at the same time the people will be deprived of leadership and sympathy. It would seem as if some great economic policy for Ireland, which would provide work of national service for all parties, ought to be inaugurated as soon as possible

Dublin. November, 1916.

Note.—The result of the West Cork election has been as follows : O'Leary (Redmondite) 1,866, Healey (O'Brienite) 1,750, Shipley (Ind. Nat.) 370. Redmondite majority over O'Brienite, 116.

CANADA

I. THE PRIME MINISTER'S APPEAL

THERE has been a good deal of fretting and irritation in Canada during the summer. From month to month the war affects us more widely and deeply. For a country which never thought of an army it is distressing to have total casualties of over 50,000. Labour becomes scarcer, and business is carried on with increasing inconvenience. The demand for recruits becomes more imperative as men available for military service become scarcer. We are forced to the conclusion that if we are to raise an army of 500,000, at least 450,000 must be secured from the English-speaking communities. With better understanding of the weaknesses and inequalities of the voluntary system the demand for conscription becomes stronger. The English-speaking people feel that they should not bear the whole burden. There is a stern cry for compulsion from those who have lost sons in battle. The leaders of both political parties, however, assure the country that conscription will not be attempted.

Undoubtedly there are weighty reasons for this conclusion. The most profound students of the situation in Canada regard conscription as impracticable. In the Dominion there are 3,000,000 people who do not habitually speak the English language. There are nearly 700,000 Germans and Austrians. There are at least 700,000 or 800,000 Americans, many of whom live in compact settlements in Western Canada. Many of these have come to this

Canada

country during the last ten or twelve years, and one questions if it would be fair or reasonable to conscript them for a war in Europe. Many of these new citizens of Canada perhaps hardly yet regard themselves as citizens of the British Empire. As has been said in previous Canadian articles to **THE ROUND TABLE**, Americans in Canada have not been distinguishable from Canadians during the war. Still, to apply conscription to the whole body of Americans would be a great exercise of authority. Over solid blocks of Germans and Austrians in the Western Provinces there has been more apprehension than has been admitted, while it is impossible to contend that conscription would not excite deep hostility in Quebec. Those inside and outside of the Dominion who suggest conscription do not fully consider all the phases of our problem : the fact that there is an open boundary of thousands of miles between this country and the United States, and that there is no solid reason for the apparent conviction that this is the only country which is free from German machinations and the effective distribution of German money.

Admittedly recruiting is not as active as during the first two years of the war. We are still, however, well short of the 500,000 which the Prime Minister set as the object of the Dominion. It is recognised, therefore, that we must have better organisation for recruiting if an additional 100,000 men are to be secured. It is equally important that workmen necessary to the efficient operation of munition factories should be kept at home. A national Recruiting Commission has therefore been created with Mr. R. B. Bennett, M.P., as Director of Recruiting, and with associate directors in the various provinces. This Commission will endeavour to organise the industrial resources of the country, to ascertain what amount of female labour is available, and to induce manufacturers to substitute female labour in order that men may be released for military service. Manufacturers have not

The Prime Minister's Appeal

been too willing to employ women, while probably the labour unions are apprehensive of any serious disturbance of wages or working conditions. The Commission will endeavour to co-operate alike with the manufacturers and the labour organisations. It is clear that many women can be secured for industrial service. In so far as they have been employed the results have not been unsatisfactory. The Imperial Munitions Board has made experiments with female labour, and manufacturers have been afforded opportunity to determine just what degree of efficiency has been obtained. In any event the Canadian Army will not easily be raised to Sir Robert Borden's figure, and the task is hardly possible unless women can be freely employed in the factories.

Recognising that greater exertions and sacrifices are required from Canada, the Prime Minister has issued a moving appeal to "the manhood" of the country. He declares that every effort that could honourably be made to avert war was put forth, but that there was no escape from the contest save in dishonour and ultimate disaster. He emphasises the extent and thoroughness of German preparation, points out that Great Britain's first expeditionary force has been increased more than twentyfold and that of Canada more than twelvefold, and that the climax of the war is rapidly approaching. "The last hundred thousand men that Canada will place in the fighting line may be the deciding factor in a struggle the issue of which will determine the destiny of this Dominion, of our Empire, and of the whole world." He pays eloquent tribute to the youth of Canada who have already rallied to the Colours, and whose achievements have crowned the Dominion with imperishable distinction. "Remembering the sacrifice by which that distinction was won, we recall with solemn pride the undying memory of those who have fallen." He states that since the war more than 370,000 men have enlisted in the Dominion, and that 258,000 have gone oversea. For the first months of the year

Canada

the enlistments were one thousand a day, and he estimates that our forces were enlisted and organised more rapidly than facilities of transportation and accommodation in Great Britain could be provided. During the last four months, however, enlistments had greatly decreased, and having regard to future needs, an appeal to the country was necessary. A mightier effort than might be imagined was required to secure a conclusive victory. "This war must have so decisive a result that lasting peace can be secured. We are fighting not for truce, but for victory." The result would depend upon the organisation of the man power of the Allied nations, and "Canada must be strong and resolute in that great endeavour." The Prime Minister concluded :

Under the responsibilities with which I am invested, and in the name of the State, which we are all bound to serve, it is my duty to appeal, and I do now appeal most earnestly, to the people of Canada that they assist and co-operate with the Government and the Directors of National Service in the endeavour for this purpose. To men of military age I make appeal that they place themselves at the service of the State for military duty. To all others I make appeal that they place themselves freely at the disposition of their country for such service as they are deemed best fitted to perform. And to the women of Canada, whose spirit has been so splendid and so inspiring in this hour of devotion and sacrifice, I bid God-speed in the manifold works of beneficence in which they are now engaged, and I pray them to aid still more in every field of national service for which they may feel themselves fitted. Let us never forget the solemn truth that the nation is not constituted of the living alone. There are those as well who have passed away and those yet to be born. So this great responsibility comes to us as heirs of the past and trustees of the future. With that responsibility there has come something greater still, the opportunity of proving ourselves worthy of it. And I pray that this may not be lost.

II. POLITICS IN CANADA

DURING the last few weeks there has been much public speaking in the Province of Quebec. The French members of the Borden Government have made

Politics in Canada

many appeals to their compatriots to enlist. It is said that they have not spoken altogether without effect. It is difficult, however, to overcome the general lethargy which prevails, and the effect of Mr. Bourassa's writing and speeches. He becomes bolder as the months pass. In a new pamphlet he declares that "Here in Canada there is being forged around our necks a militarism unparalleled in any civilised country, a depraved and undisciplined soldiery, an armed rowdyism, without faith or law, and as refractory to the influence of individual honour as to that of their officers." Such utterances are denounced by the French Ministers, while Mr. Bourassa himself is as sturdily denounced by Sir Wilfrid Laurier. Mr. Patenaude and Mr. Blandin insist that Quebec's position in the Dominion will be humiliating if recruiting does not improve, and it is not now pretended that what has been accomplished is adequate. Indeed, Mr. J. S. Brierley, the well-known Liberal journalist of Montreal, in a public letter declares that while 36,000 men have been raised in the Province of Quebec at least 23,000 of these have been recruited in the English-speaking communities, although the French population of Quebec is 1,605,339 and the British population only 316,103.

Mr. Casgrain, Postmaster-General, declares that if England were defeated, France vanquished and Russia driven back to her steppes, the first to suffer by a change in social and commercial conditions and liberty would be the inhabitants of Canada. He asserts that to subordinate the question of French-Canadians' participation in the war to the settlement of the school question is bad policy.

We have our rights (he says), but we have also important privileges. It is needless to enumerate them. Think only, for instance, of our civil laws and our relations between Church and State. Where is the Catholic Church better treated than in the Province of Quebec? Where has the French language more rights than it has here? Are we interested to preserve this state of affairs? When I hear certain people speaking of breaking the Confederation

Canada

I would laugh, if it was not so sorrowful to see serious people believing that the menace can be of any use. Confederation is not a pact that can be revoked at will. Confederation is based on an Imperial statute which would have to be recalled by the Imperial Parliament. Since when do minorities govern under a Parliamentary régime? . . . We suffer most from exaggeration from both sides. Do not think that all extremists are in the Province of Quebec. Far from that. There is a certain school in Ontario which seems to have taken as a special mission to render impossible all amicable relations between the two races. I read the papers of the sister Province, and I am revolted in reading, nearly every day in certain papers, the worst calumnies, the most flagrant injustices, and the basest insults. Does anyone imagine that such treatment can conduce to the development of a national spirit or carry a party to power? French-Canadians are the great majority in the Province of Quebec; they are the minority in the other Provinces of the Confederation. They do not ask for favours, but simply to be treated with justice—that is, equal justice for all. And let every one be convinced of a truth amply demonstrated by the history of this country; there is no political party that can survive in Canada unless it deserves and retains the active sympathy of the French-Canadians.

Important speeches have also been made by Sir Wilfrid Laurier and the Hon. Rodolphe Lemieux. Both of these denounced an alleged movement of Imperial jingoes to subordinate Ottawa to Downing Street, and Mr. Lemieux particularly attacked Mr. Curtis's *Problem of the Commonwealth*. The jingoes, he said, had a plan already traced which they would like to force the Dominions to accept. The colonies were to be called upon to contribute their part towards the military expenses of the Empire. But the Government was under an illusion if it believed that the voluntary participation in the war of Canada is a step in the direction of the Imperialism dreamed of by the jingoes.

Sir Wilfrid Laurier argued that in England they were preparing a movement to impose on the British people an extreme militarist policy. This was not a new movement. "It has existed for years, but is more accentuated than ever. I have always fought against this policy, and I fight against it still." At London, Ontario, the Liberal

Politics in Canada

leader declared that he was still a pacifist and still the uncompromising opponent of militarism. He urged, however, greater enlistment and greater energy in the prosecution of the war

I need not tell you that we meet under the shadow of a terrible war which for the past two years has been desolating Europe and engrossing the attention of the civilised world. Neither would it be amiss if once more I recall that this war is a war for civilisation. If there be anyone in this audience or elsewhere who may be of the opinion that this has been said too often, that it might be left unsaid, I beg to dissent. It must be repeated, and again repeated so as to convince once more one and all in this country that the cause is worthy of every sacrifice.

He added :—

I abate not a jot my life-long profession, reiterated in the House of Commons and upon many a platform of this country, that I am a pacifist. I have always been against militarism, and I see no reason why I should change. On the contrary, I see many reasons why I should not change, but still stand true to the professions of my whole life. But it has been clear to all the pacifists in the world ; to the Radicals of England ; to the Labour party of England ; to all classes in France, to the Radicals of Italy, that in face of the avowed intention of Germany to dominate the world, in face of their blatant assumptions and complacent belief in being the "super-man," in face of their brutal assertions that force and force alone, was the only law—it was clear, I say, to all pacifists that nothing would avail but such a victory as would crush forever from the minds of the German authorities the belief in atrocious theories and monstrous doctrines.

Like Mr. Lemieux Sir Wilfrid was anxious about the projects of the jingoes. There were amongst us, he declared, men consuming the midnight oil and spending much printer's ink in reconstituting the British Empire, not upon the old lines of British freedom, but upon the lines of German militarism. It would, he said, be a sad day if, when we are engaged in a war the object of which is to save civilisation from militarism, if, as a result of this war,

Canada

the victorious nations were to be saddled with militarism. He proceeded :—

Does anyone imagine that if Great Britain had adopted the German system she would have displayed the same power she has since the beginning of this contest ? Does anyone suppose that if Britain had adopted the German system, and had taken every generation year after year as they came of military age and removed those young men from the farm, from the shop, from the professions, from schools and universities, and placed them in camps and barracks, and taxed the rest of the nation to keep them under the charge of the drill-sergeant, non-producing—does anyone believe that England would have been able to stand the strain of spending \$25,000,000 every day to finance not only her own part, but Russia, Italy, Canada, Australia, and New Zealand, and that on a gold basis, out of her own resources ? The answer by contrast is that Germany to-day has been obliged to have recourse to a paper currency, which is every day depreciating. No, sir, in the face of this there is no reason to believe that the policy of Britain in the past should be different from the policy in the future. There is an aphorism current that if you want peace you should prepare for war. I do not know the origin of the aphorism. But I assert that the experience of the world shows that the aphorism is apt to be fallacious. No ; the experience of the world is that if you prepare for war you will have war. Nothing better illustrates this than the policy of Prussian militarism. Germany in this respect is only an enlarged Prussia. Prussia has dominated the German Empire, and it is an admitted fact that Prussia impregnated Germany with that abominable lust of conquest which is now desolating the world. Prussia is the creator of the system of militarism. The first King of Prussia, Frederick William, invented the system. It has been extended again and again by his successors, but it has not produced peace. On the contrary, more than one-half of the wars which have desolated Europe in the last hundred and fifty years are due to Prussian militarism.

He urged that while we should go on firmly and resolutely until victory is won “ the better angels of our nature should then guide our course.” It was idle now to speculate about what would be our relations with Germany after the war. But whether the victory was great or small—and he thought it ought to be great and thorough—“ it is not revenge that we are seeking. It is simple justice and

Politics in Canada

freedom for the rest of Europe." Always the motto of the British people had been that of the old Roman, " Fight the strong, but be merciful to the weak." There was every reason to believe that when the conflict was over the eyes of the German people would be opened, and as a consequence despotism, feudalism and militarism would be swept away by democracy, and democracy means peace, harmony, good-will among friends. Concluding, Sir Wilfrid said :—

If you will permit me, after a long life, I shall remind you that already many problems rise before you ; problems of race division, problems of creed differences, problems of economic conflict, problems of national duty and national aspiration. Let me tell you that for the solution of these problems you have a safe guide, an unfailing light, if you remember that faith is better than doubt, and love is better than hate. Banish doubt and hate from your life. Let your souls be ever open to the strong promptings of faith and the gentle influence of brotherly love. Be adamant against the haughty ; be gentle and kind to the weak. Let your aim and your purpose, in good report or in ill, in victory or in defeat, be so to live, so to strive, so to serve as to do your part to raise the standard of life to higher and better spheres.

Though they deal but little with domestic issues, Sir Wilfrid's speeches are taken to foreshadow his attitude in the next general election. It is impossible to say how much the country responds to his arguments on international and Imperial subjects. People are not thinking much at present about the teachings of pacifism or about a *rapprochement* with Germany after the war, and they realise clearly enough that whatever may be said about the competition of armaments both Canada and Great Britain would have been in a sorry plight if the Navy had not been prepared. Nor is there much apprehension over the alleged projects of the jingoes to compel Canada to surrender her liberties. Canadian Imperialists have no thought of an inferior position for Canada in the Empire or of any sacrifice of Canadian autonomy. They do desire equal citizenship in a common Empire and effective organisation of the strength and resources of the Empire for the benefit of all its peoples—a

Canada

reorganisation which can only be carried into effect by the voluntary decision of the peoples concerned.

As yet no reply has come from Sir Robert Borden or any of his colleagues to the speeches of Sir Wilfrid and Mr. Lemieux. It is understood the Prime Minister takes the ground that by agreement between the two parties the life of Parliament was extended, and that in virtue of this agreement Ministers are not free to engage in partisan controversy. If there is not a further extension of the Parliamentary term an election will have to be held by the autumn of 1917. Already it is intimated by influential colleagues of Sir Wilfrid Laurier that no further extension will be granted. It is likely, however, that when Parliament meets Sir Robert Borden will suggest an extension, and if the Opposition opposes, Ministers will be free to defend the Government, its acts and policies before the people. There are now nineteen vacant seats in the House of Commons. No by-election has been held since the outbreak of war. The Government considered that there ought to be no contested by-elections. The vacancies would have been filled if the Opposition had consented to allow members to be returned unopposed and without disturbance of the balance of strength in Parliament. In certain constituencies, however, agreement was found to be impossible, and the Government's conclusion was that a series of by-elections would be only less objectionable than a general election. It is likely that before the Commons is dissolved so many vacancies by death will be created in the Senate as to give the Conservatives a majority.

In Provincial politics there has been nothing of national interest outside of British Columbia and Saskatchewan. In British Columbia in a general election the Conservative Government sustained an overwhelming defeat. In the last Legislature, under Sir Richard McBride, there were only two or three opponents of the Government. Only two of these were Liberals, and they were returned by by-elections for Vancouver and Victoria. In the new Legis-

Politics in Canada

lature there will be ten Conservatives, thirty-six Liberals and one Socialist. The new Premier is Mr. H. C. Brewster, a canner of fair ability and good character. Mr. Bowser, who succeeded Sir Richard McBride, in the Premiership, had to meet charges of extravagance, unwise handling of the public domain and improvident dealing with railway builders. During the long period of extreme speculative activity which had preceded the war there had been a happy partnership between the Government and the speculators. When the boom collapsed the Government was also destroyed. This is not to suggest that the Government received less than justice or that there was no substance in the indictment under which it was condemned. Soldiers in training camps and oversea were allowed to exercise the franchise, and apparently a majority of their ballots were cast for Conservative candidates. In Vancouver the resident voters gave a plurality of over 200 against Mr. Bowser, but this was overcome by the votes of soldiers.

In Saskatchewan Hon. Walter Scott, owing to long ill-health, has resigned the office of Premier, and terminated a successful and influential public career. Grave scandals disfigured his last days in office. It was established before Royal Commissions that there was bold thieving by officials superintending appropriations for road building and corrupt payments to members of the Legislature by the liquor interest. Three or four members of the Legislature have been imprisoned. The Speaker has resigned. The Commissions, however, acquit members of the Government of knowledge of these irregularities. Mr. Scott's personal integrity is not assailed. It must be said also that his administration of the affairs of Saskatchewan was distinguished by courage and energy, and that he was responsible for much sound and progressive legislation. Mr. Scott is succeeded in the Premiership by Hon. W. M. Martin, of Regina, who has sat for some years in the House of Commons. In federal affairs he had achieved a good position,

Canada

and he has popularity, ability and integrity. It is expected that a general election will follow the reorganisation of the Cabinet. It is believed that an election is also impending in Alberta. In neither Province is an appeal to the people constitutionally necessary, and it is perhaps unfortunate that elections should be ordered, with so many thousands of the English-speaking citizens of the two Provinces on war service in England and France and Flanders.

III. THE TRIUMPH OF PROHIBITION

THE most momentous social change in Canada since the beginning of the war is that relating to the sale of liquor. Before the war broke out the movement for complete prohibition of intoxicating liquors had made great advances in the United States. About a dozen States had adopted prohibition. Even in the wine-producing State of California the demand for it had such force that the owners of vineyards were and are still seriously alarmed. The manufacture of wine may be prohibited and, though this would kill one of the greatest industries of the State, the prospect of the change must be taken seriously. Of course, such a movement of opinion in an adjacent country affected Canada. It was, however, the war which led to decisive results. Pleading urgently the need of national economy, the temperance workers attacked the waste involved in the liquor traffic. At first the west seemed more easily moved than the east. Saskatchewan, Manitoba and Alberta quickly adopted measures which either prohibited entirely the sale of liquors except for medicinal purposes or placed the sale under such rigorous control by the State that the same result was achieved. In all these three provinces the new law is now in active operation. It was doubted whether British

The Triumph of Prohibition

Columbia would follow the example of the prairie provinces. Its urban population is proportionately much larger than theirs, and cities are less ready than are rural districts for strict prohibition measures. But British Columbia has fallen into line. A plebiscite on the question of the liquor traffic was taken at the time of the recent general election in the Province, and the mandate from the voters was decisively for prohibition. From the Great Lakes to the Pacific coast there will soon not be a single place where the wayfaring man can get a glass of intoxicating liquor.

The movement, however, has had victory in the east as well as in the west. In the Maritime Provinces and in the Province of Quebec there has long been in force a system of local option, and this has been used to prohibit the liquor traffic in so many districts that for many years the bars have been confined to the larger towns. Thus much of what has been done by provincial measures in the west had already been effected in the Atlantic provinces by the action of municipal bodies. In the most populous of the Canadian provinces, Ontario, the strength of the temperance sentiment has long been shown in vigorous fights for local option. It was, however, believed that attempts to carry local option in populous centres like Toronto, Hamilton, and Ottawa would be useless. But the war brought a new temper in regard to the question. The temperance people carried on a very skilful campaign, and the result was that, without an appeal to the people by special plebiscite or at a general election, and without any compensation to the liquor dealers, the legislature of the Province of Ontario passed last spring a measure closing every bar and every shop for the sale of liquor in the province. Not a member of the legislature voted against the measure.

War brings many surprises, and not the least of them is this sudden victory over the liquor traffic. The Ontario Act came into operation on September 16, and there were then some strange scenes. In some respects the law is

Canada

thoroughgoing. Liquor can now be sold only under the strictest kind of Government supervision and for narrowly defined purposes. Clubs may not have liquor on their premises. About last May clubs which had extensive cellars issued invitations to their members to purchase supplies which might remain on hand on the day of fate, September 16. The penalty to the club was heavy if it had not removed all liquor from its premises by that time. The result is that many club members now have a store of excellent wines in their cellars. The dealers, too, were not allowed to have any liquor left in store. Some of them sold off their stock entirely. Others sent what remained chiefly to Montreal. The law does not prevent the shipping direct to the consumer from outside the province of strictly limited quantities of liquor. Private persons may keep in their houses any stores of liquor which they had on September 16. But to add to such stores will not be easy since only a few bottles may be bought in any one shipment. The new law does not interfere with the manufacture of spirits for export from the province, nor with the manufacture and use of native wines.

It is too early to see what will be the effect of the law. Toronto is now the largest city in America in which prohibition is enforced, and it is in such urban centres that the problem is most difficult. Temperance workers are enthusiastic about the results already achieved. There is no doubt that, for the time being at any rate, the number of arrests and the business of the police courts have declined. The smaller shopkeepers express themselves as delighted with the change, since, with the temptation of the bar removed, bills for groceries and other domestic necessities are now paid more promptly. Whether new wastefulness in spending money will grow up to replace the old one is not yet clear. It is said that the "movies" have been more frequented since the bars were closed. There is little evidence yet of the illicit selling of liquor, and the

Canada and the Empire

police in the cities seem to be remarkably alert to enforce the new law. It has probably had little effect upon habits of life in private houses of the better class, for there is no law to prevent here a continuous if somewhat precarious supply. The most striking change is in the clubs. No longer can members linger at table over a glass of port or play a game of cards with any beverage at hand more exciting than a sparkling cider which must not contain more than two and a half per cent. of alcohol. The inconvenience is less than it seems, for in most of the clubs in Canada, and some of them are luxurious, the consumption of spirits has of late years greatly declined.

IV. CANADA AND THE EMPIRE

THERE is in Canada no weakening in the resolve to see the war through till a decisive result has been achieved. The losses of Canada have been very heavy, for her dead and missing alone now are drawing near to twenty thousand. Canada realises that, in spite of these tragic losses, she is suffering less than others of the Allies, and public opinion favours not halting in any sense, but doing more. There is no doubt that recruiting has been slow during the summer and autumn. The organisation for recruiting has not been good, but is now being improved. Canadian industry and Canadian agriculture have been obliged to meet heavy demands. Even before the war there was a shortage of labour. Unlike England, Canada had a surplus of males in her population. The result is that if men go away to the war there is not, as there is in England, a large number of unmarried women free to take their places. Exact statistics on such a matter are not now available, but the number of unmarried adult females in Canada is relatively small. This should be remembered as some explanation of the slow rate of recruiting with which we are now confronted.

It would not be safe to conclude that because Canada

Canada

has shown an unclouded sense of unity with Great Britain in respect to the war it is going to be easy after the war to bring about closer political relations. In 1760 British and colonial troops fought side by side in Canada to defeat France, but fifteen years later British and Colonials were fighting each other. Of course, conditions are changed. There will never be any conflict between Great Britain and Canada, and it is fitting to call attention to the fact only because there is danger of a certain cocksureness about the future which may be mistaken. It would not be true to say that, at this moment, Canadians are pondering very deeply what is going to happen after the war. Canada has not leisured men who in quiet studies in country houses can measure the past and the present and try to forecast the future. In the west a recent observant traveller found a reluctance to think of the changes inevitable in the future. He found, too, that returned soldiers were bringing back an enthusiastic sense of brotherhood in arms with the British soldier. But there was also another note, "It is good of you Colonials to come over here to help us," said one well-meaning person to a Canadian officer, and, oddly enough, the Canadian officer was angry. Why? Because the remark implied that he was not a principal, but only an assistant in the war, and the Canadian had felt that he was fighting, not England's battle, but his own. To some the point may appear trivial. But the saying goes to the root of the matter. A proud young nation wishes to fight its own fight, and not as an unconsulted helper of a parent State. It cannot stand by and see Great Britain for ever "run the whole show." The old tie of colony to parent has worn thin in Canada, and either closer relations or more distant ones are inevitable after the war. It would not be easy to overestimate the rapidity with which a sensitive demand for complete political equality with Great Britain is growing. All this is not discouraging but promising for that union of equal States which is the ideal of the future.

Finance and Industry

Just now an undercurrent of thought in Canada indicates a certain hostility to the United States for its attitude in regard to the war. The Press of Canada has been extremely tactful, and has said almost nothing that could irritate the Americans. Probably, too, the best informed people in Canada are well content that the United States should not be an active participant in the war. The emotional state of the many cannot, however, be concealed or controlled. In the theatres references to the United States which two years ago would have been applauded are now not so well received. Mr. Roosevelt, once disliked in Canada because of the extreme pressure which he exercised in regard to the Alaska boundary, is now popular because he says the things which Canadians like to hear.

V. FINANCE AND INDUSTRY

THE present rate of war expenditure in Canada is about \$1,000,000 a day. Of this about \$600,000 a day is expended in Canada and the balance in England. This great outlay is being sustained not only with cheerfulness but without any great visible strain. There have been three appropriations by the Dominion Parliament for the war :—August, 1914, \$50,000,000; February, 1915, \$100,000,000; and February, 1916, \$250,000,000—a total of \$400,000,000. After allowing an estimated interest on war loans for the years 1916–17, there is expected to be a surplus to apply to war expenditures, of the annual revenue, of some \$35,000,000.

Since the beginning of the war there have been five loans floated by the Government of the Dominion :—March, 1915, England, \$25,000,000; July, 1915, New York, \$45,000,000; November, 1915, Canada, \$100,000,000; March, 1916, New York, \$75,000,000; September, 1916,

Canada

Canada, \$100,000,000—making a total of \$345,000,000. Of this total \$25,000,000 of the New York loan of July, 1915, matured and was paid in July, 1916. In November, 1915, the amount asked for by the Government was \$50,000,000; but as the subscriptions amounted to \$100,000,000 the issue was raised to that amount, and \$50,000,000 devoted to a credit to Great Britain for the purchase of munitions. This amount has since been used as an offset against the liabilities of Canada to the British Government, amounting on June 30, 1916, to \$162,000,000, leaving a balance of indebtedness of \$112,000,000. This amount has been converted into interest-bearing securities and they in their turn have been used in New York as security for a British loan.

All these five loans issued by the Dominion Government have been notable successes. The call for subscriptions in September of this year by the Government elicited applications for more than double the amount specified. Not only does the credit of Canada stand high abroad, but for internal loans there appear to be ample funds, and the patriotism necessary to provide subscriptions for more than the amounts required.

In the case of both loans in Canada the Banks have underwritten a large proportion of the amount asked for, and only in the first case, and that owing to the doubling of the loan, did the Banks become holders of some \$20,000,000, most of which it is understood has since been distributed. They are, therefore, unfettered in the use of their funds by the holding of large masses of Government Bonds, and still remain in reserve as a financial force ready to step in at any time when public subscriptions may be less free. Thus the Banks have been able to assist the Government in granting credits to the Imperial Munitions Board amounting in the total to very large sums. These credits have been as follows:—November, 1915, \$50,000,000⁴; April, 1916, \$76,000,000; July, 1916, \$24,000,000. They have also undertaken for November, 1916, \$25,000,000, and for

Finance and Industry

December, 1916, \$25,000,000. The increase in the Bank Statement of securities is in the main to be accounted for by the Banks' subscriptions to the British loan.

All this signifies an amazing change from the position of Canada in 1913, when it seemed as if our credit had been somewhat strained abroad, and when we were struggling with a large adverse balance of trade. It is easy, of course, on the surface to attribute this immense change to the phenomenal increase in the grain crops in 1915 and the immense munition orders that have arisen from the demands of the war, but underlying that is the great productive power of the country and its population, without which the crop would have been impossible and the munition orders useless. It is true that agriculture has been, and is, suffering from the steady drain of man power for the war, but the decline in agricultural products for this year is the result in the main of bad weather conditions, which must periodically occur.

The productivity of Canada in proportion to its population is very large. Before the war it was clear that there was a considerable surplus of industrial organisation, and various people were calling attention to this fact, pointing out that it was difficult to dispose of the full output of manufacturing concerns without a large export trade, and suggesting various remedies for some apparent defects in the system by which the export of manufactured articles appeared to be cramped. The immense orders for munitions and the like that the war has brought to Canadian manufacturers has filled precisely this need of an adequate exterior market, and fortunately the energy and productive power of the country has been sufficient to enable it not only to assist in providing the necessary supplies of the British Armies, but incidentally to give this country the benefit of an immensely profitable business. The trade figures for the year ending June 30, 1916, showed a total trade of about \$1,600,000,000, which is an average of more than \$250 per head of population, including men, women and children. Apart from the fact that this

Canada

population is spread over an immense area which is extremely rich in raw materials of various descriptions and possessed of a climate on the whole very favourable to energetic work, it is interesting to note that in Canada there are more men than women, and that the average age of the community is lower than, at all events, the older European countries. Further than that, it is undoubtedly true that at the present time the men are, on the average, working harder than usual, and that the places of men who are absent at the war are being taken to some extent by women. That women have entered and are likely to enter less into the sphere of industry than in Great Britain is easily to be accounted for by the fact that there are relatively much fewer of them. Further than that, the system by which the wives and dependants of soldiers at the front are rather liberally pensioned has abstracted from the field of work a considerable number of women who were formerly engaged in domestic work of one kind and another. Still, in spite of the slackness and shortsightedness of the few and of the abstraction from production of the three or four hundred thousand men, it is a subject for congratulation that productive power as a whole has not decreased but increased, even although the occasion of the stimulus is temporary. Many lessons of flexibility and organisation are being learned, and must be of the highest value when the time comes once more to return to normal activities. It shows what a reduced community can effect under the influence of a powerful stimulus, and makes it clear that the burdens contracted during the war can be easily carried. So far so good, and we can look forward with confidence to the work that has to be done.

But there is another side to this, and one that must be faced. During the earlier stages of the war there was unquestionably a real diminution of private expenditure, and that undoubtedly had a beneficial effect on the finances of the country in reducing imports and helping to readjust the balance of trade. The enormous crops of 1915,

Finance and Industry

together with the large profits arising from immense orders of \$500,000,000 or \$600,000,000, and with a cessation of expensive railway construction and the like, have changed the entire aspect of our foreign trade. There is something like inflated prosperity in a part of our business, and this has brought about a reaction towards the careless freedom of personal expenditure prevalent before the war. It is regrettable, but true, that economies in this country, even when practised to any considerable extent, were chiefly confined to the well-to-do classes. A full sense of the responsibility of expenditure has never impressed itself upon the working people. High wages and the absence of competition for work have robbed the working man of even what disposition he had for economy before the war. If we are to see through not only the period of actual war but the critical time that must inevitably follow it is of the most vital importance that the necessity for general economy should be brought home to the minds of everybody in the community. Some sporadic efforts in that direction have been made, but they have on the whole been ill-organised and inconsequent. At the beginning of the war there was a disposition on the part of courageous people to encourage themselves and their neighbours into the feeling represented by the phrase, "Business as usual," and with good intentions this stimulus to the continuance and energetic pursuit of ordinary work undoubtedly carried people too far. What is urgently needed is a skilful, continuous campaign to encourage small economies as well as large.

The economic period from 1900 onwards illustrated the effect of immense borrowing power, and great expenditures on construction and the like, upon prices. The reaction of 1913 was tending to bring about a lower level, but with the war have come higher and higher prices for commodities, attributable not only to the scarcity of food supplies owing to the great demand abroad, to the high rates of freight for imported articles, but to the inevitable inflation of credit

Canada

associated with the Great War. Throughout the whole world it would be fair to say that there never has been so much money nor so little production of useful things. Just in so far as Canada is producing munitions for other countries, the money she receives represents a real accession of wealth to the country, but in so far as the production of munitions and supplies is for her own soldiers the money received is not represented by the normal increase of useful things, but is a mere transference of the loans made by the Canadian Government and the taxes raised to the books of the Bank. There is something rather terrible in the use of either the profits or the higher wages arising from the sale of munitions to the British Government for the purpose of increased pleasure, and one cannot but think of the story of David, who, when he was brought water by a soldier who obtained it at the imminent risk of his life, refused to drink it and poured it out as a sacred libation.

The real meaning of the figures of the Bank returns is not easy to interpret, but this much may probably be said :—The great increase in deposits must represent a considerable proportion of what can only be called inflation. Under war conditions, with high prices, great flotations of loans and large expenditures upon things of no economic value, some inflation is not only inevitable, but is common to all the combatant countries. From a selfish economic point of view Canada is better off than most of these because so large a proportion of her war products are paid for by others of the combatant countries. The current loans, on the other hand, have actually decreased, and that in the face of enormous expansion of industrial activity resulting from the war. A part of the reduction of current loans may certainly be attributed to the large liquidation of indebtedness in the west that was made possible by the crop of 1915. The manufacture of munitions is a great industry on practically a cash basis with large profits, so that borrowings on a proportionate scale would be unnecessary, or where they have been made they have been speedily liquidated. The

Finance and Industry

grain crops of this year, in point of quantity, appear to be not much over half of those of 1915, but according to some calculations the rise in price has been so great as nearly to offset this diminution in quantity.

Canada. October, 1916.

AUSTRALIA

I. MR. HUGHES'S POLICY

THE measures by which the government of the Commonwealth proposed to ensure the continuance of an adequate number of Australian troops on active service were explained in short statements in both Houses of Parliament on August 30, and at greater length on September 1. The Prime Minister, whose statement was repeated in substance by the Minister for Defence in the Senate, informed the House of Representatives that a referendum would be taken at the end of October, by which the electors would be asked whether the provisions of the Defence Act, enabling the government to call up all citizens, within the prescribed classes, for home service, should be extended so as to enable them to send the men on service abroad. In the month of September an effort was to be made to obtain a number of recruits, specified at 32,500. If by the end of the month that number had not enlisted, the government would exercise the power given it, under the Defence Act, to call up for training all single men without dependents between the ages of 21 and 45. If the decision of the people on the referendum were in the affirmative, the troops obtained by this compulsory summons "for home defence" would be sent abroad as and when required.

In explaining his proposals the Prime Minister addressed himself to two kinds of objections, the existence and the strength of which had been impressed upon him in the Cabinet, in his preliminary tour through the State capitals,

Mr. Hughes's Policy

and in caucus. He had to convince a large body of opinion, confined almost entirely to his own party, that the results of the voluntary system were no longer satisfactory. On the other hand a section of his own party, and the bulk of the opposition, had to be convinced that no more practicable scheme could have been devised to enable this country to continue making an adequate contribution of men to the forces of the Empire. For the first part of his task Mr. Hughes had need of nothing more than to quote official figures already familiar to those members of Parliament who had taken any part in recruiting campaigns. This, of course, did not influence those of his followers, like the Minister for Customs, Mr. F. G. Tudor, since resigned, whose opposition was founded on an objection to any form of "militarist" coercion, nor likewise, the small minority who professed to believe that the manhood of Australia should be kept at home and employed in tasks of national development. The argument was based on the assumption that Australia should comply with the requests of the British Government for the reinforcements required to keep the Australian divisions up to strength. The official figures showed that the number of troops required for this purpose was 32,500 in September and thereafter 16,500 per month. The average number of enlistments per month during the previous three months had been little over 6,000. The number of men in training on September 1 in Australia, in England, and on the water was 103,023, a sufficient number to provide reinforcements at the required rate up to the end of January. After January the authorities would be left with 3,000 men together with those enlisted meanwhile. Assuming that the forces on active service were to be maintained at full strength, the argument as to this aspect of the case seemed complete.

The argument that the method proposed was the most expeditious and the most practicable required a knowledge of the temper of the Labour party which could only be known to the members of its own caucus; and it further

Australia

required an appreciation of the working of the Australian constitution which appears to have been very rare. The referendum was chosen as the alternative to a Bill extending the operation of the Defence Act, or to a dissolution of Parliament. In his statement the Prime Minister showed clearly that he had been unable in caucus to persuade a majority of his followers to agree to such a Bill ; and he reminded the House, in referring to the fact that the Senate was the greatest obstacle to his plans, that under the Constitution a double dissolution could not be obtained until the Senate had rejected the same Bill on two different occasions with an interval of at least three months between. If the Senate could be counted on to accept the popular verdict, when pronounced upon a single issue, then the referendum was the most expeditious instrument for securing a change in the law. Taken in conjunction with the arrangements for calling up men "for home defence" it was, in the Prime Minister's view, the method which caused least delay to the Defence Department. The men would be in training before the vote was taken. The only thing that could prevent them being sent to the front, as and when required, would be an adverse popular vote ; and as to that, the Prime Minister refused to despair of the Commonwealth.

The feeling aroused by the Prime Minister's statement, amongst those who were conscious of the needs of the situation and sensitive as to Australia's duty, was at first one of intense disappointment and deep resentment. They had in mind Mr. Hughes's speeches in England, and more recently still his Australian addresses from the day of his return, his impatience and scorn of those who were willing that our reinforcements should decline because our financial resources were already too deeply committed, or because our manhood was needed in Australia, or because the War had definitely turned in favour of the Allies. No man had expressed so clearly and forcibly the conviction that the safety, the future development, and the national

Mr. Hughes's Policy

ideals of Australia were involved in the fate of the British Empire, and that victory could not be attained without further sacrifice. Hesitation to act could not in his case be ascribed either to want of knowledge of the peril or to failure to realise Australia's duty. The submitting of the question to the people appeared to involve delay, where time was of the essence of the matter ; a political campaign would create bitterness and produce divisions, where unity was all-important ; while the Referendum itself, whatever its result, would give no more than an expression of opinion, without operative legal effect. The announcement of the disappointing policy appeared to reek of party and caucus, and rudely shook that confidence which the Prime Minister's speeches had taught the country to repose in him as a courageous national leader.

Undoubtedly, Mr. Hughes suffered from the fact that his speeches had, at least to a certain extent, been delivered in one sense and interpreted in another. In his intention they were, it is true, a call to men of all classes and parties, but they were more particularly levelled at elements which he knew to exist in his own party, which were capable of formidable opposition to the course that he believed necessary, and which, though they might not be successful in preventing that course, could go far to detract from the national character of the decision. These had to be apprised of the danger, warned, and if possible persuaded and converted. On the other hand, there was a large section of public opinion which deemed itself in no need of a reminder of either duty or danger, which certainly was heartily in favour of universal service, and which looked upon the Labour Party, and especially upon its organisation and " machine," as the only obstacle to the policy which the country's need demanded ; this section of the public had taken Mr. Hughes's speeches to mean that the main difficulty was overcome and the Labour Party at last converted.

The feelings of resentment and chagrin to a great extent

Australia

passed away when people began to reflect, and to ask themselves what other course was open. To some, indeed, it appeared that the wise course—a daring one—would have been to submit a Bill, or a resolution, to the House of Representatives, and, on its being passed there, put compulsory service into operation forthwith by executive act. But this involved a good many assumptions. In a Labour Cabinet the Prime Minister has not chosen his colleagues and therefore has not the same claim to their loyalty and forbearance as prime ministers in British communities generally have. And there were, in fact, divisions in the Cabinet which might easily have made strong action impossible, for the concurrence of the Cabinet as Executive Council would be essential to give even the form of an Executive Act. As it was, Mr. Hughes was able to face Parliament with the loss of only one colleague. Further, while the House of Representatives would probably have given a majority, it would have been a majority in which the opposition predominated; and there were obvious reasons of national (non-party) importance why the measure should secure the greatest possible support from Labour members.

The main seat of the Prime Minister's difficulties was the Senate. The idea of his critics was that he should boldly have ignored the opposition which had to be met there. But, apart from other reasons which might be adduced, there were two which made this impossible, if any semblance of legality were to be retained. In the first place, it is in the power of either House to put executive regulations out of operation by resolution; hence, if the Cabinet had sought to evade the Senate by using its powers under the War Precautions Act, it would have had to prorogue Parliament. In the second place, the Senate could have withheld supply. The course advocated by the critics therefore led by more than one road to a suspension of the constitution and to government by extra-legal methods; and it might well have put the opponents of the policy into

Industrial Unrest in Australia

the strongest possible position for resistance to the measures so determined upon. If extra-legal methods should become necessary, they will have to be based on the moral support of a national vote.

Some vain regrets have been expressed that Australia should not have had a National Government, instead of government by a party, at this critical hour of her history. This was, however, an inevitable consequence of the highly organised mechanism of the Labour Party, which does not permit the give-and-take with an opposing party necessary to coalition. It is believed that the extreme and irresponsible attitude characteristic of the Labourite Senate was the chief obstacle to the formation of a coalition in 1914, when the Liberal Government was still in power.

For the present, the Prime Minister has thrown himself with even more than wonted energy into the campaign for that decision by the people which no one feels more strongly than he to be essential to the honour of Australia and to her destiny. In this campaign he is being vigorously supported by all the patriotic agencies which are pledged to the successful prosecution of the War; but he is being bitterly opposed by some of the political Labour leagues, one of which, viz., that of New South Wales, the State of which he is a representative, has declared him an outcast from the Labour Movement.

NOTE.—The referendum was defeated, the latest, but not the final, figures being 1,102,227 against and 1,033,753 for.—ED. R.T.

II. INDUSTRIAL UNREST IN AUSTRALIA

AS a feature of our modern social system industrial unrest is more than a century old. Its general causes have been ascertained in so far as they are inherent in the industrial system. Fundamentally, industrial unrest is the expression of the revolt of the wage-earning classes

Australia

against conditions imposed upon them by capitalist industrialism. The increasing concentration of workers and employers into highly organised and mutually hostile camps is indicative of that cleavage between the two great economic classes which the Socialist calls "the class war." But such a broadly general statement hardly explains the special causes of industrial unrest within the last few years, and is still less helpful when we consider the temper and policy of the working class of Australia as recently displayed.

Beyond question one of the causes of unrest is the rise in the cost of living. Since 1905 "effective wages" in Australia—allowing for cost of living and unemployment—have been either at a standstill or decreasing. Since the beginning of 1914 they have fallen heavily. The index-number of cost of living for the six capital cities of the Commonwealth has risen from 880 in 1901 to 1,140 in 1914, and to 1,350 for the first quarter of the current year. As might have been expected, the abnormal rise in the cost of living since the beginning of the war resulted in an increase in the number of working days lost through disputes relating to wages questions. In 1913 the number of days lost in disputes of this character was 187,690, in 1914 302,263 and in 1915 336,806.

While the Commonwealth Statistician's figures show that the number of working days lost in 1915 was only about half the number lost in 1914, it is pointed out that more than half of the number of working days lost in 1914 were lost in the afternoon-shift dispute in the New South Wales coal-mining industry. The number of disputes recorded during the first quarter of 1916 was slightly less than for the last quarter of 1915, but was double the number in the corresponding quarter of 1915, while the number of working days lost does not fall far short of the total for the whole of the year 1915. Thus it would appear that there is no present indication that the workers are prepared to accept the increase in the cost of living, even during this war, without an attempt to secure a compen-

Industrial Unrest in Australia

sating increase in wages. Further, it should be remembered that in addition to strikes there have been a very large number of increases in wages secured as the result of applications to wages boards and other industrial tribunals. These applications have, during the last twelve months, generally been made in consequence of the increased cost of living.

The prevalent unrest, however, cannot be accounted for by these facts alone. There are other grounds in addition to those mentioned. The continued existence and violence of industrial disputes has proved puzzling to many observers, even when resident in the Commonwealth. They point to the evident fact that the conditions of labour, including wages, are far more favourable to the worker in Australia than to his fellows in any other part of the world. The standard of comfort is admittedly high, the power of Unionism very great, all of which advantages are enhanced by excellent climatic conditions. Why, then, it is asked, should the workers be unsatisfied? Those who take this view fail to understand the present stage of development reached by the Labour movement in Australia, or to give sufficient weight to the present policy of Labour. Many historical instances can be quoted to show that a period of prosperity and power is more likely to be a period of unrest than a time of sordid misery and destitution. The men most likely to rebel are those who find themselves arrested in their progress towards a higher standard. Such has been the position of the Australian worker in the last ten years. Add to this the facts that popular education has raised the working class to at least a constantly progressing standard of knowledge, that industrial organisation and the acquisition of political power have given them possession of paramount power, and we go far to account for the phenomenon. The Australian workers have passed beyond the stage at which they revolt against economic pressure almost without consciousness of its meaning, but simply from a vague understanding that the time has come

Australia

to strike out for an improvement. Now they act from policy, with a deliberate and self-conscious endeavour, not merely to maintain the existing standard of life, but to elevate it by an indefinite number of increments to wages. This is clearly shown by the fact that most Wages Boards have to consider continual applications from the same industry for new awards. This tendency is accentuated by the fact that Trade Union secretaries now spend much of their time as advocates before Wages Boards, and are naturally inclined to justify their existence by working for fresh awards. This process maintains a more or less permanent state of friction between employers and workers. It may, indeed, be said that the peculiarly Australian method of bringing about industrial peace largely achieves the opposite end by inducing on both sides a highly organised system of offence and defence, which possibly makes as much for war as for peace. Moreover, it is not sufficiently remembered that whatever the machinery devised for industrial conciliation, if it does not fully satisfy one side or the other, trouble will ensue. It is beyond hope that the workers will ever reach finality in their claims for increments of wages or that the employers will ever concede their demands without a struggle. This general observation is greatly reinforced when we come to consider the defects of the machinery of arbitration which arouse the hostility of the workers.

The most fruitful cause of discontent in this connection is the amount of delay in the issue of awards by Wages Boards. These delays may not result directly in strikes, but they create the atmosphere conducive to industrial dispute, and occasion a feeling of irritation which breaks out in a strike if the award granted falls far below the wishes of appellants. No one could follow the discussions which take place in the Labour Councils and the Unions without noticing the frequency of these demonstrations. Only a few days ago the Secretary of the Railway Workers' Association of N.S.W. stated that the Executive had

Industrial Unrest in Australia

found considerable difficulty in preventing an outbreak, because one of the Wages Boards, dealing with their members, had taken two years to arrive at an award, and another five months to interpret it. Another cause of irritation in this case was the refusal of the Board to make the award retrospective, the amount of wages involved being nearly £1,000,000. Such instances could be multiplied greatly from all the States. Then again, the highly technical grounds on which after protracted inquiry many of the judgments of the Commonwealth Arbitration Court are based prove exasperating to the majority of workers, who see only the plain issue between an increase in wages or improvement in conditions and an adverse verdict. During the war, no inconsiderable degree of delay has been due to the shortage of skilled legal advisers and officials charged with the business of industrial arbitration. Another frequent cause of unrest is the fact that awards are generally made to operate for a period of three years. When a delay of another year is added by the Wages Board, it can easily be understood that the period between two awards wears out the patience of the workers. Further, the awards frequently cover only one section of an industry or a class of labour. The awards applying to different sections are continually expiring and coming up for renewal at different times. It is often too much for the temper of one section to see their fellows enjoying an increased wage, when they may have to wait twelve or eighteen months before the revision of their award. Some of the industries affected in this way during the last two or three years have been the ironworkers, gasworkers and ferry employees. All complex industries are exposed to this danger.

Apart from dissatisfaction with the working of the system of industrial arbitration, there are several familiar and constant causes of dispute that need little more than a passing mention. The invasion of Trade Union privileges and the menace to working-class solidarity account for the

Australia

great majority of these. The growth of solidarity amongst the workers is evidenced by the number of disputes due to alleged victimisation, and the employment of non-unionists. These cases are mostly small and local, but they contain elements of serious disturbance, as is shown in the case of the industrial dispute involving timber-workers in Western Australia, which at first affected only 40 men, but eventually included nearly 4,000 workers and lasted for nine weeks. Absolute preference to unionists is more and more insisted upon by industrial Unions, and is likely to continue to be a fruitful cause of trouble. Long before the war, the introduction of unskilled labour into various trades caused many strikes. An analysis of the disputes of the last six months shows this source of disturbance to have been aggravated by the war. There has been considerable unrest amongst the Engineers within the last year, owing to the unsatisfactory conditions laid down for the dilution of skilled labour with unskilled. The returns also show the continued frequency of demarcation disputes, especially in the shipbuilding and engineering trades. The recent declaration of the President of the Federal Court of Arbitration, that any worker, notwithstanding the grant of an award covering his industry, is entitled to refuse to work for that award, is not likely to diminish the number of disputes.

Not the least important cause of increasing industrial unrest in Australia is the great political success achieved by the Labour Party in the constituencies of both State and Commonwealth. This factor operates most powerfully in N.S.W., which has been under Labour government for the past six years. There is no doubt that the acquisition of political power has increased the assertiveness of the industrial classes. They are more apt to demand concessions and improvements when their own representatives are in power. Things economic seem to them easy of alteration, and they do not hesitate to demand the most drastic changes. New South Wales is industrially

Industrial Unrest in Australia

much the stormiest of all the States. Victoria has only about one-sixth the volume of industrial disturbance of the Mother State. Undoubtedly this is largely due to the fact that the miners count for half the total number of workers involved in disputes throughout the Commonwealth, and in New South Wales mining looms very large. It is none the less true, however, that the temper of the workers generally in N.S.W. is much more aggressive than that of the workers of Victoria, and it is no exaggeration to say that the possession of the reins of government is responsible for some of the difference.

It remains only to mention one other development which tends towards the increase of industrial disturbance. The recent split between the Industrialists and the Parliamentary party in the Labour movement is due, as shown in a previous article, to the dissatisfaction of the more energetic portion of the rank and file with the moderate policy of the Parliamentary Labour Party. The Industrialists, being by nature militant, are certainly influencing the Unions towards more emphatic assertion of their claims. The revolutionary organisation known as the Industrial Workers of the World is using every opportunity to foment the causes of trouble. The Australian press is, however, giving an undeserved advertisement to this organisation, for there can be no doubt that, apart from the smallness of its numbers, its supreme function as an irritant depends for its exercise on abnormal conditions. The heavy defeat of some of its principal members in the recent selection of Labour candidates for Parliament shows clearly the severe limitation of its hold upon the main body of Labour supporters. The present renewal of the movement for the "One Big Union," while it is a further proof of the growing solidarity of the workers, should be taken rather as part of the natural movement towards amalgamation and concentration than any manifestation of an approach to the ideal of the I.W.W.

Australia

III.—RECENT LIQUOR LEGISLATION

FOR some years prior to 1915 there had been a movement in the various Australian States having for its object a restriction of the consumption of alcoholic liquor, the result of more or less organised effort by advocates of temperance, whose reasons were both ethical and physiological. Total prohibition has been the law in parts of New Zealand for a considerable period, and the principles of local option were embodied in an Act of Parliament in South Australia as far back as 1905.

The Commonwealth Government in the early part of 1916 took over the few hotels in the Northern Territory (transferred to it by the State of South Australia under certain specific conditions), and is still conducting them in the ordinary way; but it is possible the businesses may be closed and the territory declared a prohibition area.

Temperance propaganda took a more definite shape in *South Australia* in 1911 by the circulation of a petition for closing the hotels at the same hour as bakers, butchers, etc., and this, together with one for power to vote "No Licence," was presented to Parliament in 1912. A Bill was also introduced at this time by a private member embodying the requests of the petitioners, but specifying eight o'clock p.m. as the hour for closing hotel bars, which, however, was rejected. A second petition bearing 37,000 names was presented in the following session (November, 1913), and the same private member introduced a new Bill providing for six o'clock closing and no more. This shared the same fate as his previous measure, an amendment which read as follows being carried :—

That a referendum be taken of the House of Assembly electors at the next General Election to fix the hour when bar-rooms in premises licensed for the supply of intoxicating liquors should be compulsorily closed.

Recent Liquor Legislation

The then hour for closing was eleven o'clock p.m., and the various temperance societies and sympathetic organisations began a vigorous campaign in favour of six o'clock closing.

The referendum was submitted on March 27, 1915, to the electors whose names were on the roll for the Lower House (adult suffrage, including women), votes to be taken on each hour, six to eleven (on the "cumulative" principle if necessary), and the following was the result of the poll

	On Roll.	% Voted.	6 p.m.	7 p.m.	8 p.m.	9 p.m.	10 p.m.	11 p.m.	In- formal.	Valid Votes	% for 6 p.m.
Metro- politan Districts	127,914	65.7	46,153	318	653	3,745	693	32,410	709	82,273	55.3
Country Districts	125,477	75.0	54,265	521	1,334	6,720	1,273	28,952	1,037	93,165	58.2
	253,391	70.3	100,418	839	2,087	9,865	1,966	61,362	1,746	176,337	56.8
Total votes for hours between 7 and 11 p.m.						..	..	..	..	14,755	
Majority for 6 p.m. over totals for all other hours						..	..	..	..	24,299	
" as against 11 p.m.						..	..	..	..	39,056	
" in favour of earlier than 11 ..						..	..	..	..	38,813	

It is understood that women's votes played an important part in the result, and probably gave the very considerable majority for six o'clock closing. The Government had previously undertaken to introduce a Bill to give effect to the mandate, providing any other hour but eleven o'clock secured a majority. This was done, the measure was passed by both Houses, became law on March 26, 1916, and, on the following day, the hotels throughout the State were closed at six o'clock. So that *South Australia* led the van in this movement for earlier closing of liquor bars.

In Tasmania the electors voted for six o'clock, but no legislation has so far followed, although it is to be introduced at no distant date.

In Queensland there has been a certain amount of agitation for early closing, but it has not reached any definite stage.

In Western Australia separate referenda gave the following results :—

In Perth and urban areas the vote was for nine o'clock. On the goldfields the vote for six o'clock as against eleven was lost.

Australia

No vote was taken in the country districts.

Definite action has been taken in *Victoria*, Parliament having already passed a measure providing for closing at 9.30 instead of 11 o'clock. Later a Referendum Bill was brought before Parliament with a view to a vote of the electors being taken to decide whether the hour of closing should be earlier than 9.30 p.m. Women have a vote in the State, and it was considered fairly certain that six o'clock would secure the necessary majority. Subsequently, however, the Referendum Bill was abandoned, and a Bill to provide directly for closing at 6 o'clock was introduced, but at the time of writing it has not become law.

In New South Wales considerable agitation preceded any definite action. Pressure was brought upon Parliament to reduce the hours during which bars should be allowed to sell intoxicating liquor, and some measures were introduced in the early months of 1915.

The Government declined to accept the responsibility for any clear direction, and submitted the question to the electors by referendum, the result of which was to hold good until the end of the war; 574,394 votes were cast (not including the Lord Howe Island vote, which could not affect the result), being roughly 50 per cent. of the electors on the roll, the number of men voting being 305,199, and the number of women 269,195.

The result was approximately as under :—

For 6 o'clock closing	..	..	345,697
" 7 "	..	..	4,801
" 8 "	..	..	20,900
" 9 "	..	..	176,416
" 10 "	..	..	1,387
" 11 "	..	..	3,182
Informal Votes	..	..	22,011
			574,394

The necessary certificates of the results having been received by the Governor-in-Council at 4.45 on July 21,

Recent Liquor Legislation

1916, the day on which the count of votes was completed, a proclamation was at once issued and hotel bars were closed that evening at 6 p.m., so that no previous official notice whatever was given to licensees of the intention of the Government.

Although the action appears to have been sudden and drastic, it was generally felt that the referendum would result in some alteration of the existing law, and it is therefore claimed that persons interested had really had sufficient warning.

General.—The drink bill of Australia is stated at $21\frac{1}{2}$ millions annually, but how much of this is represented by local production is not material at the present time. Nor can any comparison be made at present as to reduced out-turn of beer by brewers, the period since actual closing of bars at 6 o'clock covering the winter months only.

It is roughly stated that the Stock Exchange estimate of values of brewery shares, owing to recent legislation, represents a fall of, say, 30 per cent., and it is also computed that the values of freehold hotel properties have receded by 25 to 30 per cent. compared with, say, early in 1914. The value of leaseholds, for which large premiums had been paid, have fallen to a much heavier extent; and, in some instances, they may be said to have disappeared altogether.

In all the legislation so far introduced there has not been any provision for compensation for this loss of value, the only relief to the tenant being the constitution of a Rent Court in South Australia to hear appeals from leaseholders for reduction of rents in case no arrangement is arrived at mutually between landlord (or freeholder) and the tenant (or leaseholder).

The temper of a majority of the people is distinctly in favour of restriction, and temperance advocates state that, with the women's votes, they expect to be able, at no distant date, to carry total prohibition for the whole Continent.

Australia

IV. THE COMMONWEALTH MERCANTILE FLEET

THE news that before leaving London Mr. Hughes had bought a fleet of ships for the Commonwealth came as a surprise and was read with misgiving. This was more because of old controversy than from fear of a bad investment, though that was more than feared. Eight weeks have passed and Mr. Hughes is still leaving the transaction to speak for itself. The certain interpretation is that he believes the war will be long, and that freights will keep high for some time thereafter. There are fifteen ships, all of about one capacity, the average net tonnage being 2,725, and gross 4,245. It is not the right size for long-voyage work, and they are not new. One was built last year, one in 1912, two in 1909, and nine in 1906 and 1907, and the remaining two in 1899 and 1900. And the price was £2,068,000. Yet in private hands, and with fair luck, they might pay for themselves in a couple of years. By transfer to the Australian register, the tax on war profits will be avoided ; but hitherto they have been worked with coloured crews, and the accommodation is not at all what an Australian crew demands and the Navigation Act requires. It is so necessary to economise time and space that doubtless the alterations will be as few as possible. The immediate task of the ships is to carry what they can of the two million tons and more of wheat that are still on hand. In a semi-official statement it is said that they can move 300,000 tons in twelve months ; but if they move 250,000 they will do well. It is partly because this relieves the situation so little that there has been a suspicion that there has been more politics than economy in the venture ; it has been called "one good gift which Mr. Hughes is bringing home to the Caucus comrades who may be inclined to gaze disapprovingly at other articles in his wallet." Mr. Cook, the leader of the Opposition, indeed,

'The Commonwealth Mercantile Fleet

has no doubt about it. He said : " *The Worker* of Sydney gloats over the deal not as something to benefit Australia as a whole, not even as an adjunct to the wheat pool—but as something to help expropriation of capital, which is frankly Labour's policy all the time. . . . If the wheat problem has really led to the purchase one might look on it with equanimity. . . . The buying of the Strath Line may be carrying out the Labour Party's policy, but it is not carrying away our wheat."

Australia. September, 1916.

WE have received the following correction from the Industrial Registrar, Commonwealth Court of Conciliation and Arbitration, Melbourne, Australia :

" At page 560 of your issue of June 1916, your Australian contributor has made a serious mistake. He says :

Until quite recently it was the boast of the Parliamentary Labour Party, and especially of Mr. Hughes, that the trades affected by awards of the Federal Arbitration Court had never gone on strike. . . . They had always loyally accepted the Court's decisions. But that can no longer be said. . . . The miners of Broken Hill, defiant of the determination of the Court, struck for a forty-four hours' week.

" The truth is, that when the miners refused to work the Saturday evening shift, the men were not working under any award at all ; they were working in pursuance of an expired agreement made between the companies and the union, but not even registered in the Court. The Court never had decided any dispute as to the hours of work. There has never yet been a strike extending beyond the boundaries of any one state since the Court was formed to deal with such disputes ; and there has been no breach of any award to my knowledge, by any Union or any employees. Certainly there has been no conviction. There is also an

Australia

error on the next page. It is stated that the men, through the President of their Union, gave an undertaking that they would 'Accept the award.' The last words are put in inverted commas, as if a quotation. There was no such undertaking ; but, before the President consented to give precedence to the case, he secured from both employers and employees reciprocal undertakings that they would respectively give work and accept work on the lines of the award. An award of a minimum wage does not, of course, compel an employer to give work, or an employee to accept work, unless they see fit.

"I submit that this correction of the mistake should be published at once by your influential review."

July 25, 1916.

SOUTH AFRICA

I. POLITICAL CONTROVERSIES

THE conclusion of the first session of the second Parliament of the Union has brought about no diminution in the political activities of the two parties which are struggling to gain the support of the Dutch vote. The contention between them still continues as sharp as ever, and has been concentrated lately in a series of Congresses of which the first two met simultaneously on Wednesday, August 23rd, the one in Bloemfontein, the other in Pretoria. General Botha summoned his supporters in the Free State to confer with him in Bloemfontein. General Hertzog marshalled his Transvaalers in Pretoria. Thus each contending faction met in that province which is supposed to be the stronghold of the adversary. The South African Party Congress need not detain us long. General Botha has always held to an unshakeable belief in the ultimate and complete victory of the Allies, has always taken every opportunity of giving expression to it, and did so on this occasion. Moreover, he had just returned from a visit to General Smuts in German East Africa, and was thus able from personal observation to enlarge upon the satisfactory progress being there achieved and to draw attention to the fact that General Smuts is holding an Imperial Command over an army half of which is English.

He was obliged, however, to allude to one unpleasant episode which has once more marred the attitude of the

South Africa

Union towards the war, and has served to remind us all again of the fact that South Africa alone amongst the Dominions is not showing a united front in the cause of liberty. An attempt was made this year to stir up a second rebellion. It is inadvisable to discuss it here, as the ring-leaders are at present undergoing trial. Perhaps it need not be taken too seriously. As General Botha pointed out, such a movement must be doomed to failure :

" In the last war we were armed to the teeth, and yet we lost our independence. Can we then to-day allow people who are unarmed to go to destruction ? This idea of rebellion is madness. Our future has to be sought in a different direction."

General de Wet seems also at last to have realised this, for as soon as the ringleaders approached him on the subject he gave full information of the movement to the Government. In other directions also there are signs of an improved public sentiment amongst Nationalists on the subject of those men who took prominent parts in the rebellion of 1914, some of whom are still in gaol and some of whom were elected while in gaol to the Executive of the Nationalist Party. A by-election has become necessary in the Ermelo District of the Transvaal owing to the lamented death of General Tobias Smuts. A delegate from this district to the Nationalist Congress took occasion to point out that the party would have no chance of winning the seat if they continued to have on their central committee men who had been sentenced for their part in the rebellion, and therefore moved that the central committee must consist of persons in the full and undisturbed possession of all constitutional rights and free to take an active part in politics. This seemingly sensible and eminently practical motion drew down upon the mover's devoted head all the thunder of the big guns of the party, and eventually the motion was withdrawn without being put to the vote, but it was noticeable that when the central committee came to be appointed

Political Controversies

some, at any rate, of the objectionable names had disappeared.

But it is not so much with the attitude of the Nationalists on purely domestic questions that we are concerned as with their outlook on the war and on the Imperial questions which the war has made so prominent. The Imperial issue has formed the groundwork of much Nationalist oratory since the removal of General Hertzog from the Cabinet in 1912 brought the party into existence. Readers of *THE ROUND TABLE* will recollect that it was over the attitude of South Africa towards the Empire that this important event took place. General Hertzog persisted in preaching that South Africa must come first and the Empire second, and then only when South Africa's interests would be served thereby. General Botha deprecated the raising of such a discussion at all, and claimed that it could only be academic and was calculated to hurt the feelings of many good South Africans. But when war broke out the fact that South Africa became involved apparently only because the Empire was at war was hailed by the Nationalists as a proof of the far-sightedness of their leader. Thus *De Burger*, the leading Nationalist organ:

"Only four years have passed since that time—i.e., General Hertzog's removal from the Cabinet—and here we are in the most practical manner up against the question. The Imperialism against which we were so earnestly warned at that time has been fastened upon South Africa by the same hand which removed General Hertzog."

This is the gravamen of the charge brought by the Nationalists against General Botha. They never have admitted and still refuse to admit that South Africa must necessarily be at war when the Empire is at war; the final decision must still rest with the South African people, otherwise the liberty enjoyed under our Constitution is a sham. "But when war broke out Generals Botha and Smuts took up the position that England's wars were also necessarily the wars of all portions of the British

South Africa

Empire. According to their interpretation, South Africa, in spite of her self-government, had no other choice than to enter as a participant in the European War."

At the Conference recently held at Pretoria General Hertzog described this as "one of the greatest mistakes which General Botha could have made." It was this recognition by General Botha and his party of the common obligation of South Africa to take up arms along with the other Dominions in defence of the Empire which the Nationalists can never forgive and which explains the reason why the rebellion is described as not a rebellion against King George but an armed protest against King Louis. The fact that the obligation was subsequently recognised by the Union Parliament by an overwhelming majority, and, further, in October, 1915, was again confirmed by a general election, does not really affect the principle for which the Nationalists are contending, though it removes any possible justification for the rebellion. From that time they have had to watch their country becoming more and more involved in a struggle with which they never desired to have anything to do. Thus, finding the trend of events against them, they are driven in the opposite direction and become daily more uncompromising. In his opening address Mr. Tielman Roos, chairman of the Transvaal Nationalist Party, defined afresh the attitude of the Party towards the Empire :

"They had grown too strong to say any longer South Africa first and other countries afterwards. It was now South Africa first, second, and third."

Whether the Empire is to come fourth, or, indeed, anywhere, he did not specify, but he proceeded to emphasise this uncompromising declaration by issuing a warning against anyone starting a movement towards strengthening the bonds uniting the component parts of the Empire, as it could only result in a counter-agitation being started in favour of independence. Indeed, on the question of Imperial organisation the Party, as might be expected, is

Political Controversies

thoroughly explicit. General Hertzog thus defined its attitude :

"England has entered the war because through promises to the Allied Powers by the Ministers of England, England was obliged to do so, and it was to the credit of England that she carried out her obligations. But in that lay the danger that this country through ministerial promises might be involved in all kinds of difficulties. South Africa under that Federation would be a tin attached to a cat's tail, but he felt satisfied that the Prime Ministers of Canada and Australia realised that in the first place they were Prime Ministers of Canada and Australia." As another speaker expressed it, "the bonds which are those as between sister States are quite strong enough." Thus the Empire is to develop on lines of mutual national-exclusiveness.

But this provincialism is preached not alone in Imperial matters, but also in that two-stream policy which is to govern the relations between the two white races within the Union. It is even now to be the basis of the organisation of political parties. This fresh application of this guiding principle was explained by General Hertzog in a speech at Zoutpan soon after the Congress had adjourned :

"The time had arrived when thousands of Englishmen would join the National Party. But also thousands would not do that. They would be able to form a separate party to work shoulder to shoulder with the National Party. That would be much healthier." Thus not only is South Africa to be kept rigidly out of any Imperial commitments, but the two races in South Africa, even in political organisation, are to be kept strictly apart.

However, soon after this Zoutpan utterance an explanation was proffered to the effect that General Hertzog only desired to provide for those Englishmen who do not understand Dutch. But such explanations cannot serve to hide what is really at the back of the Nationalist mind. This is simply that so far as the South African Union is

South Africa

concerned "the Nation" means the Dutch, the English section being more or less of an appendage. General Botha speaking at Wakkerstroom on Thursday, September 28, pointed out what would inevitably be the result of this new application of the two-stream policy :

"General Hertzog wanted his supporters to form the soul and body of the party and the English to form the tail. It was an utterly ridiculous proposal. Supposing it were possible to form such a party, the body would soon find the tail too heavy."

And so we go on in South Africa, in spite of European wars and world-wide cataclysms, and in spite of the many glorious sacrifices made freely by men of both races who have given their lives in the cause of freedom. But herein lies our salvation. The sense of joint sacrifice in a common cause has never been stronger in South Africa than at the present time; indeed, it can hardly be said to have existed previously at any time in South African history since the Cape passed into the British Empire. But now, no matter how much the Nationalist section may wash their hands of any participation in it, the fact is there and cannot be obliterated. Under the leadership of General Botha we have struggled side by side for the past two years. We have made undreamt of sacrifices of blood and treasure and we look forward to celebrating together a common victory.

II. THE COLOURED CORPS AND RECRUITING

SOUTH AFRICA is perhaps fortunate in being able to help in the war, not only by sending white troops to the trenches, but also by providing coloured and native labour corps to work in the harbours of France. Already a coloured labour contingent, 1,000 strong, has been despatched to France for this purpose, and now 10,000 Kaffirs are to be recruited and organised as a military

The Coloured Corps and Recruiting

force under European officers, and despatched to France for the same purpose. Since the outbreak of the war the contribution of the natives towards the campaigns in Africa has not by any means been a small one. In the German West campaign 40,000 were employed in building military railways and other works. There are over 10,000 natives from the Union at the present time in German East. In addition to these a coloured battalion has for some months been a combatant unit in German East, and this battalion has recently been increased by the addition of two companies. In this way the coloured and native populations are afforded an opportunity of serving, whereas the proposal several times mooted in the House of Commons that they should be trained for combatant service in Europe would, if adopted by the Imperial authorities, raise a storm of opposition within the Union. Here is a way in which they can play a part without raising dangerous controversies which would only add to our already far too numerous internal bickerings, and it is surely a way which will contribute very sensibly to our fighting force by making available white men who would otherwise be employed in the docks.

As regards recruiting South Africa has found her way into a *cul-de-sac*. She has placed about 60,000 men in the field during the course of the war. This, considering her population, is a very creditable performance, and may be said to bear comparison with the other Dominions. But she has now got to that stage or stratum of her population which, for various reasons, cannot, or will not, go unless compelled. This stratum exists in every community. The Recruiting Committee are struggling valiantly with the situation, but it is hard and discouraging work.

The only real solution of the problem is the introduction of Conscription, but this is not possible in a country where a large section of the population is either coldly neutral or openly hostile to the Allied cause. The next

South Africa

alternative is moral suasion. But the use of this miserable and humiliating substitute for National Service has been strongly discouraged by the Prime Minister, as it played admirably into the hands of the Nationalist opposition. Then, again, the old question of the pay of the European contingent is continually cropping up and acting as a deterrent. It is to be hoped, however, that the call for reinforcements for German East may soon cease. At the time of writing all recruiting has been concentrated on the European Brigade. The fact is the Union has really got more units in the field than she can properly keep up to strength on the voluntary system of recruiting. This, however, can be remedied when General Smuts has completed the conquest of the last of the German colonies. We shall then be able to reorganise our material and concentrate it all upon providing a South African Division for service in Europe and keeping that division up to strength.

South Africa. October, 1916.

NEW ZEALAND

I. THE PEOPLE AND THE WAR

THE great financial prosperity of New Zealand continues, and indeed increases more and more with the duration of the war. In some measure all classes of the community have benefited from this prosperity, though to a very unequal extent. War bonuses and increased wages have been the lot of unskilled labour, artisans and employees generally. The high prices of produce of all kinds have raised the farmers to a financial position they have never reached before. As in all general advances of this kind the professional classes have benefited least. In general, salaries have not advanced, and in consequence the universal increase in prices has caused much inconvenience to those who are poorly paid.

The general prosperity is reflected in the continued large attendances at race meetings and in the large sums spent in wagering. In spite of the absence on national service of so many of the younger men who in times of peace participate most actively in this sport, there appears to be a constant increase in the official returns of the legalised Government betting system, the totalisator. From time to time public protest is made against such frivolity and unthriftiness, and meets with much support, but in general the community views the whole question with a slightly dissatisfied equanimity. If this is the case in regard to the "Sport of Kings," it is far otherwise with the national sport of football. The majority of the bodies

New Zealand

which control this pastime have strongly discouraged any men who are fit for service from participating in the games. The result is that the crowded grounds of two years back are now almost deserted, and no important matches are played.

It is now the fact that the community realises how closely the war, its conduct and probable issue affect the welfare of this dominion and of its people. It is indeed a matter of some surprise that in spite of our distant situation, remote from rival and discordant nationalities, and our life of peace for two generations, our people have yet been able to realise the necessity and justice of the Great War, and the imperative reasons for this country taking her part in it. As a community they have flung themselves heart and soul into the conflict, and now even those who at first were dubious are eager to do their bit in accordance with their opportunities.

The great respect in which the community has failed in their national duty is in the matter of thrift. The average person appears wholly unable to realise that small personal economies and slight harassing restrictions of personal pleasures can be of any moment in a national matter, and the attendances at the various centres of amusement show that the individual does not fully realise his obligations to the State at this time of stress. Constant and strong as the urgings of the Press are in this matter, eloquent and persuasive as the public orators may be, yet the great majority of the people fail to understand that their own habits, relaxations and pleasures require any modification and that they owe it to the State to reduce their personal expenditure.

From time to time the attention of the public is drawn to the necessity for keeping trade as far as possible among the nations who are sharing the burdens of the great war for freedom. Within the last few weeks the matter has been more prominent than usual because of the arrival of a large cargo steamer from America, bearing a German

The People and the War

name, and containing a cargo which consists mainly of motor-cars constructed by a firm with a name that seems to be of Teutonic origin. This was even the subject of a question in Parliament. It appears that inquiry has definitely shown that both the shipping firm and the car manufacturer are long-established American corporations, and the momentary excitement has now subsided.

The public of this dominion have fully realised their responsibilities towards those who are fighting their battles, and the relief funds which have been established in the different centres have been strongly supported. The grand total now probably amounts to £2,000,000, and there is no doubt that this sum will be greatly increased as soon as it is found that the present funds are not sufficient to do what is required. The organisations that have been created to deal with these funds are of a local nature, and much time and negotiation have been lavished to prevent them from overlapping.

The naval victory of Jutland made a strong impression on New Zealanders, who now, owing to the educational activity of the Navy League, fully realise that naval supremacy is the one essential condition for the existence of the British Empire. This truth is brought home with special force to our small distant outpost of British ideals.

It therefore needed no persuasion to induce people to subscribe to the funds that were organised in the various towns. More than ever do the inhabitants of New Zealand understand how miserably small our past financial assistance to the Imperial Navy has been. The memory of the early events of the war will prevent us from lapsing into such a sense of security again. It is, however, the earnest hope of most of our citizens that some means will be found in future of establishing legislative machinery for the Empire which may be able to decide upon the contribution that is the just portion of each unit of the British Dominions. Apart altogether from our entire dependence upon the absolute freedom of sea routes for the conveyance

New Zealand

of our merchandise, there are the additional facts that sea travelling is so frequent, and our coast line so long, that we naturally breathe the sea spirit, and therefore the Navy is to us the symbol of existence.

II. PARLIAMENT AND FINANCE

THE last session of our Parliament was termed a War Session, and indeed there was little legislation except that referring to finance, the raising and equipment of reinforcements, and measures to encourage thrift. The finance proposals were of a nature that in peace time would have been absolutely startling. The actual proposals for taxation are not regarded as in any way excessive. The income tax was increased by 6d. in the pound on incomes exceeding £700 per annum, and by 1s. on incomes exceeding £1,200 per annum, and in addition a war profits tax has been imposed. This is to amount to 40 per cent. of the excess profits above the average of those of the three last pre-war years. Provision is made for the partial exemption of new and struggling firms which have not established their financial independence. These proposals have been generally accepted with equanimity. It was the proposals for raising loans with which to finance the Dominion's share of the war which were sensational. It was stated that some £16,000,000 would be required during the year, and of this sum the public were to be asked to subscribe £8,000,000. The actual proportion of this sum to the annual revenue of the country is of course far less than the expenditure made by Britain bears to her average income. Even when we subscribe this sum, we are still far from bearing that share of the burden which would be rightly allotted to us on the basis of the proportional resources of all parts of the Empire.

Our history, our present course of development, and the fact that we have relatively few wealthy corporations and

Parliament and Finance

individuals have, however, previously caused us to disregard our own country as a source from which loan money could be obtained. In past years we have always gone to England to obtain the loans that have been required in ever increasing volume for the development of the country. At two periods of our history a self-relying policy has been advocated, and for the time supported, but in reality only so long as our weakened credit in the London market made it impossible for us to obtain money at the price we were willing to give. With the return of stronger credit, which our constantly increasing trade soon brought, our self-relying principles went to the wind, and borrowing in London was again the order of the day. Knowledge of these facts made many people doubtful whether any large portion of the £8,000,000 could be raised locally. However, the terms were attractive for individuals and firms which had large liquid funds. Four and a half per cent. interest was offered, with the additional provision that this interest would be exempt from income tax. In a country where the income tax is arranged on a sliding scale, and where the heavy expenditure of these years of war gives promise of a largely increased demand for money for State purposes in the near future, this was a tempting provision.

Not unnaturally, the exemption from income tax aroused the strong opposition of the Labour Party, and it caused some debate in Parliament, where it was said that the terms of the loan were wholly in the interests of the wealthy. The Treasurer (Sir Joseph Ward) stated that he refused to offer a higher rate of interest without the exemption because it would have the effect of unduly raising the rate of interest on all financial transactions throughout the country, and would thus bear oppressively on the poor man who was forced to seek for financial accommodation. The clause was passed, after a comparatively short debate, by a large majority. The effect was speedily seen when tenders were called for the loan. The banks which are doing business in the country applied

New Zealand

for £4,000,000, and within the eleven days allowed for making tenders the subscriptions actually amounted to £9,250,000.

In order to obtain subscriptions from the small wage earner, not only was the loan issued in bonds of £50 and £100, but in addition war loan certificates were offered for sale. These bear 4½ per cent. compound interest, and they are to be redeemed at the end of seven years. Thus a subscription of 16s. is asked for each £1 certificate payable in seven years. The issue of these certificates is being kept open for some time, and they appear to be in considerable demand in all parts of the country. Much money has been subscribed since the issue of war bonds was stopped on August 21, and the Treasurer now announces that a total of more than £10,000,000 has been subscribed.

Some attention was devoted to the liquor question during the war session. The petition bearing 100,000 names in favour of six o'clock closing was duly presented to Parliament. It was, however, soon announced that the Government intended to pay no attention to this, nor indeed to any demand for the curtailment of the hours during which liquor could be sold. In all the large centres public meetings were held in favour of the petition, and it was evident that there was much public sympathy in this direction, and it was hoped that a resolution might be carried in the House which would force the hand of the Government. To those who watched the doings of Parliament from a distance it appeared that at one time the parties for and against six o'clock closing would agree to a compromise providing for closing at eight or nine o'clock, but divisions on the question soon showed that there was a majority in support of the Government, and all proposals to reduce the hours during which liquor could be sold were regularly defeated.

The proposal of the Government to refuse the sale of liquor to women was carried, as also were the regulations which make "shouting" or treating illegal. These pro-

Compulsory Military Service

posals have now been in force for some three weeks, and it appears that licencees have applied the prohibition punctiliously. Already the newspapers have contained paragraphs which show that the sale of liquor has greatly decreased, and the publicans are said to have had their sales so much affected that a rise in the prices of alcoholic liquors will have to be made in order to enable them to make both ends meet.

III. COMPULSORY MILITARY SERVICE

THE provisions for compulsory military service described in the last number of *THE ROUND TABLE* were duly passed by Parliament. In the Lower House a few of the Labour members were practically the only objectors, but in the Upper House the conscientious objector had rather more sympathetic proposals made for his treatment. In consequence of this, negotiations between the two Houses were instituted, and they became somewhat protracted ; and it was not until the middle of August that finality on this relatively unimportant point, so far as the average elector is concerned, was finally arrived at. The enrolment of the first division of reserves was gazetted on September 1, and on the following day that of the second division followed. The enrolment of each division has to be complete in a fortnight, but at the time of writing (September 10) there is no information as to the completeness with which it is taking place ; but as substantial penalties will be inflicted on all who fail to enrol, it is expected there will be few deserters. The feeling in the country is practically unanimous on this matter, and except in one place—the small community of Government coal miners at Runanga—no representative voice has been heard in opposition to compulsory service.

It is certainly true that in regard to compulsory Service the Legislature did not lead, but followed some

New Zealand

distance behind in the wake of public opinion. At meeting after meeting, especially in the south of the country, speakers had advocated this in uncompromising terms, and in all cases the audience had expressed approval. With very few exceptions the Press supported the introduction of legislation that would do away with purely voluntary enlistment. This attitude was not altogether due to a feeling that the necessary reinforcements could not be obtained by the methods that had been employed hitherto. In some parts of the country the district quotas have been supplied regularly and without difficulty. The real feeling that swayed the whole community was recognition of the relative injustice of the operation of the voluntary system. As time went on its unequal incidence became glaring. Some families which showed a fine example of patriotism suffered grievously, while their selfish and unresponsive neighbours suffered not at all. The community has also realised that voluntary enlistment has been responsible for sending to the front most of the best men of the country, both from the physical standpoint and still more from the point of view of practical patriotism. While it is realised that the majority of these will return well and sound, it is also understood that it is those whom the country can least spare who are taking the risks, while the ranks of those who are lacking in public spirit and national feeling are unthinned. In other words, the virile manhood with strong national sentiments and regard for duty will diminish, while those elements of the population who are least desirable from the national standpoint will be relatively increased. Thus, even if force has to be applied in a few instances to support the new law, this force will have behind it the will and determination of an overwhelming majority of the population.

Inter-Imperial Relations

IV. INTER-IMPERIAL RELATIONS

THE publication of "The Problem of the Commonwealth," which has been widely read by the more thoughtful members of the community, has greatly stimulated opinion as to the importance of reorganising the British Empire as a definite and co-ordinated unity. The necessity for action in this respect has long been realised by thoughtful and responsible people in this country, though the difficulties imposed by geographical remoteness are great. Further, our small and insignificant contribution to Imperial defence has rightly prevented us from making any suggestions without a definite invitation to do so. The need for organisation and unification after the termination of the war is now apparent to all.

Whilst it is recognised that we should have some definite representation in that Imperial body by which the ultimate decision of peace or war is made, there is also no wish to interfere in matters that do not concern us. We quite realise that a small body of New Zealand representatives in the British House of Commons would be out of place, and the English people, we feel, would rightly resent any action they might take which would interfere with the work of the government of the British Isles. Clearly any scheme involving the inclusion of overseas representatives in the House of Commons is unthinkable. Yet the Dominion craves for an articulate voice in the great international decisions of the future. If we outsiders realise that we have no place in the British Legislature as it is at present, we also realise that any suggestion of dual control such as that outlined by Sir Joseph Ward at the last Imperial Conference is impossible, as was mercilessly shown by Mr. Asquith.

If such impossibilities as these are put on one side, it appears that the proposals made in the "Problem" are the only ones at the moment that appear feasible or supply a

New Zealand

basis for argument and consideration. If, as there suggested, it proves possible to establish a supreme Imperial body of representative men who shall have control of those matters only which concern the whole Commonwealth, then the necessary conditions will be fulfilled. Imperial matters are obviously (1) Foreign Affairs, so far, at least, as international arrangements are concerned; (2) Defence, and the financial arrangements required in connection with it. Whether sympathetic treatment makes this a possibility depends more upon the views and the action of the large units of the Empire than upon us, but at the present time we can hope for its ultimate development. There is at present an intention on the part of those who have studied *THE ROUND TABLE* publications to take steps to discuss these matters fully with the more thoughtful people in the various centres of the country. Thus when these great matters come up for decision and settlement, as they must directly the war terminates, we shall not be without a body of opinion already fully informed and prepared to put the questions fairly and fully before the people of the country.

New Zealand, September, 1916.



TK/EH

14-3

